

CHAPTER 161**(HB 757)**

AN ACT relating to revenue measures and declaring an emergency.

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

➔Section 1. KRS 139.450 is amended to read as follows:

- (1) It shall be presumed that:
 - (a) Tangible personal property shipped or brought to this state by the purchaser;~~or~~
 - (b) Digital property delivered or transferred electronically into this state; *or*
 - (c) ***A service provided to a purchaser in this state;***
was purchased from a retailer for storage, use, or other consumption in this state.
- (2) (a) A marketplace provider that makes retail sales on its own behalf or facilitates retail sales of tangible personal property, digital property, or services that are delivered, ~~for~~ transferred electronically, ***or provided*** to a purchaser in this state for one (1) or more marketplace retailers that in any sales combination exceeds one hundred thousand dollars (\$100,000) ~~for reaches two hundred (200) or more separate transactions in the immediately preceding calendar year or current calendar year~~ shall be subject to this section.
 - (b) The marketplace provider shall:
 1. Register for a sales and use tax permit number to report and remit the tax due; and
 2. Collect tax imposed under this chapter;
no later than the first day of the calendar month that is at the most sixty (60) days after ~~the~~*either* threshold in paragraph (a) of this subsection is reached.
 - (c) The marketplace provider may register for:
 1. A single sales and use tax permit number to report and remit all the tax due on the marketplace provider's direct sales and sales the marketplace provider facilitates for one (1) or more marketplace retailers; or
 2.
 - a. One (1) sales and use tax permit number to report and remit the tax due on the marketplace provider's direct sales; and
 - b. One (1) additional sales and use tax permit number to report and remit the tax due on all sales the marketplace provider facilitates for one (1) or more marketplace retailers.
 - (d)
 1. If the marketplace provider elects to report and remit the tax due on a single sales and use tax permit number as provided in paragraph (c)1. of this subsection, the marketplace provider shall, upon request of the department, provide a separate breakdown of receipts from the marketplace provider's direct sales and the sales the marketplace provider facilitates for the preceding fiscal year ending June 30.
 2. The department may request the breakdown of receipts no more than once annually.
 - (e) The marketplace provider shall collect Kentucky tax on the entire sales price or purchase price paid by a purchaser on each retail sale subject to tax under this chapter that is made on its own behalf or that is facilitated by the marketplace provider, regardless of whether the seller would have been required to collect the tax had the retail sale not been facilitated by the marketplace provider.
- (3) Nothing in this section shall be construed to relieve the marketplace provider of liability for collecting but failing to remit the taxes imposed under this chapter.
- (4) (a) The marketplace provider shall be subject to audit on all sales made on its own behalf and on all sales facilitated by the marketplace provider.

- (b) The marketplace retailer shall be relieved of all liability for the collection and remittance of the sales or use tax on sales facilitated by the marketplace provider.
- (5) No class action may be brought against a marketplace provider on behalf of purchasers arising from or in any way related to an overpayment of tax collected by the marketplace provider.

➔Section 2. KRS 131.183 is amended to read as follows:

- (1) (a) Except for the addition to tax required when an underpayment of estimated tax occurs under KRS 141.044 and 141.305, all taxes payable to the Commonwealth not paid at the time prescribed by statute shall accrue interest at the tax interest rate.
- (b) 1. a. Except as provided by subparagraph 2 of this paragraph, the tax interest rate shall be equal to the adjusted prime rate charged by banks rounded to the nearest full percent as adjusted by subsection (2) of this section.
- b. The commissioner of revenue shall adjust the tax interest rate not later than November 15 of each year if the adjusted prime rate charged by banks during September of that year, rounded to the nearest full percent, is at least one (1) percentage point more or less than the tax interest rate which is then in effect. The adjusted tax interest rate shall become effective on January 1 of the immediately succeeding year.
2. For additional tax billed in accordance with KRS 136.180(2), the tax interest rate shall be equal to the federal short-term rate applicable to each quarter of the period that begins on the date the protest was filed by the taxpayer under KRS 131.110 and ends on the due date of the tax as stated on the final tax bill. The federal short-term rate for each quarter shall be the federal short-term rate determined by the Secretary of the Treasury under Section 6621(b) of the Internal Revenue Code of 1986 or equivalent section in case of amendment. The two percent (2%) adjustment provided by subsection (2)(a) of this section shall not apply to the interest rate determined under this subparagraph.
- (2) (a) ~~1. All taxes payable to the Commonwealth that have not been paid at the time prescribed by statute shall accrue interest at the tax interest rate as determined in accordance with subsection (1) of this section until May 1, 2008.~~
- ~~2. Beginning on May 1, 2008, all taxes payable to the Commonwealth that have not been paid at the time prescribed by statute shall accrue interest at the tax interest rate as determined in accordance with subsection (1) of this section plus two percent (2%).~~
- (b) 1. ~~Interest shall be allowed and paid upon any overpayment as defined in KRS 134.580 in respect of any of the taxes provided for in Chapters 131, 132, 134, 136, 137, 138, 139, 140, 141, 142, 143, 143A, and 243 of the Kentucky Revised Statutes and KRS 160.613 and 160.614 at the rate provided in subsection (1) of this section until May 1, 2008.~~
- ~~2. Beginning on May 1, 2008, interest shall be allowed and paid upon any overpayment as defined in KRS 134.580 at the rate provided in subsection (1) of this section minus two percent (2%).~~
- ~~2.3. Effective for refunds issued after April 24, 2008, except for the provisions of KRS 138.351, 141.044(2), and 141.235(3), and subsection (3) of this section, interest authorized under this subsection shall begin to accrue sixty (60) days after the latest of:~~
- a. The due date of the return;
- b. The date the return was filed;
- c. The date the tax was paid;
- d. The last day prescribed by law for filing the return; or
- e. The date an amended return claiming a refund is filed.
- (c) In no case shall interest be paid in an amount less than five dollars (\$5).
- (d) ~~A No~~ refund shall *not* be made of any estimated tax paid unless:
1. a. *An application is made by the taxpayer or officer authorized to make the request on a form prescribed by the department; and*
- b. *It is determined that the estimated tax was paid to the department in error; or*

2. A return is filed as required by KRS Chapter 141.

- (3) ~~Effective for refund claims filed on or after July 15, 1992, if~~ any overpayment of the tax imposed under KRS Chapter 141 results from a carryback of a ~~net operating loss or a~~ net capital loss, the overpayment shall be deemed to have been made on the date the claim for refund was filed. Interest authorized under subsection (2) of this section shall begin to accrue ninety (90) days from the date the claim for refund was filed.
- (4) ~~No~~ Interest shall **not** be allowed or paid on any sales tax refund as provided by KRS 139.536.
- (5) For purposes of this section, any addition to tax provided in KRS 141.044 and 141.305 shall be considered a penalty.

➔Section 3. KRS 141.044 is amended to read as follows:

- (1) For taxable years beginning on or after January 1, 2019, every corporation and limited liability pass-through entity subject to taxation under KRS 141.040 and 141.0401 shall make estimated tax payments if the taxes imposed by KRS 141.040 and 141.0401 for the taxable year can reasonably be expected to exceed five thousand dollars (\$5,000).
- (2) Estimated tax payments for the taxes imposed under KRS 141.040 and 141.0401 shall be made at the same time and calculated in the same manner as estimated tax payments for federal income tax purposes under 26 U.S.C. sec. 6655, except:
- The estimated liabilities for the taxes imposed under KRS 141.040 and 141.0401 shall be used to make the estimated payments;
 - Any provisions in 26 U.S.C. sec. 6655 that apply for federal tax purposes but do not apply to the taxes imposed under KRS 141.040 and 141.0401;
 - The addition to tax identified by 26 U.S.C. sec. 6655(a) shall instead be considered a penalty under KRS 131.180;
 - The tax interest rate identified under KRS 131.183 shall be used to determine the underpayment rate instead of the rate under 26 U.S.C. sec. 6621;
 - Any waiver of penalties shall be performed as provided in KRS 131.175; and
 1. A refund of taxes collected under this section shall include interest at the tax interest rate as defined in KRS 131.010~~(6)~~.
 2. Interest shall not begin to accrue until ninety (90) days after the latest of:
 - The due date of the return;
 - The date the return was filed;
 - The date the tax was paid;
 - The last day prescribed by law for filing the return; or
 - The date an amended return claiming a refund is filed.
 3. ~~A~~ refund shall **not** be made of any estimated tax paid unless:
 - i. An application is made by the taxpayer or officer authorized to make the request on a form prescribed by the department; and*
 - ii. It is determined that the estimated tax was paid to the department in error; or*
 4. A return is filed as required by this chapter.
- (3) The department may promulgate administrative regulations *in accordance with KRS Chapter 13A* to implement this section.

➔Section 4. KRS 96.895 is amended to read as follows:

- (1) As used in this section, unless the context requires otherwise:
- "Book value" means original cost unadjusted for depreciation as reflected in the TVA's books of account;

- (b) "Fund" means the regional development agency assistance fund established in subsection (4) of this section;
 - (c) "Fund-eligible county" means one (1) of Adair, Allen, Ballard, Barren, Bell, Butler, Caldwell, Calloway, Carlisle, Christian, Clinton, Cumberland, Edmonson, Fulton, Graves, Grayson, Harlan, Hart, Henderson, Hickman, Livingston, Logan, Lyon, Marshall, McCracken, McCreary, Metcalfe, Monroe, Muhlenberg, Ohio, Russell, Simpson, Todd, Trigg, Union, Warren, Wayne, Webster, or Whitley Counties;
 - (d) "Regional development agency" or "agency" means a special purpose governmental entity as defined in KRS 65A.010(9) that is designated by a fiscal court to receive a payment pursuant to this section;
 - (e) "TVA" means the Tennessee Valley Authority; and
 - (f) "TVA property" means land owned by the United States and in the custody of the TVA, together with improvements that have a fixed situs on the land, including work in progress but excluding temporary construction facilities, if these improvements either:
 - 1. Were in existence when title to the land on which they are situated was acquired by the United States; or
 - 2. Are allocated by the TVA or determined by it to be allocable to power. However, manufacturing machinery as interpreted by the Department of Revenue for franchise tax determination; ash disposal systems; and coal handling facilities, including railroads, cranes and hoists, and crushing and conveying equipment, shall be excluded.
- (2) Book value shall be determined, for purposes of applying this section, as of the June 30 used by the TVA in computing the annual payment to the Commonwealth that is subject to redistribution by the Commonwealth.
- (3) Except for payments made directly by the TVA to counties, the total fiscal year payment received by the Commonwealth of Kentucky from the TVA, as authorized by Section 13 of the Tennessee Valley Authority Act, as amended, shall be prorated thirty percent (30%) to the general fund of the Commonwealth and seventy percent (70%) among counties, cities, and school districts, as provided in subsections (6) and (7) of this section.
- (4) (a) The regional development agency assistance fund is hereby established in the State Treasury.
- (b) The fund shall be administered by the Department for Local Government for the purpose of providing funding to agencies that are designated to receive funding in a given fiscal year by the fiscal court of each fund-eligible county through the Regional Development Agency Assistance Program established in KRS 96.905.
- (c) The fund shall only receive the moneys transferred from the general fund pursuant to subsection (5) of this section.
- (d) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of the fiscal year shall not lapse but shall be carried forward into the succeeding fiscal year. Any interest earnings of the fund shall become a part of the fund and shall not lapse.
- (5) (a) For fiscal years beginning on or after July 1, 2020, a portion of the total fiscal year payment received by the Commonwealth that is allocated to the general fund shall be transferred from the general fund to the regional development agency assistance fund established in subsection (4) of this section.
- (b) This portion shall be equal to six million dollars (\$6,000,000).
- (c) Distribution of these moneys shall be made by dividing the amount in paragraph (b) of this subsection equally among each fund-eligible county.
- (6) The payment to each county, city, and school district shall be determined by the proportion that the book value of TVA property in such taxing district, multiplied by the current tax rate, bears to the total of the book values of TVA property in all such taxing districts in the Commonwealth, multiplied by their respective tax rates. However, for purposes of this calculation, each public school district shall have its tax rate increased by thirty cents (\$0.30).
- (7) (a) As soon as practicable after the amount of payment to be made to the Commonwealth is finally determined by the TVA, the Department of Revenue shall determine the book value of TVA property in each county, city, and school district and shall prorate the payments allocated to counties, cities, and

school districts under subsection (3) of this section among the distributees as provided in subsection (6) of this section.

- (b) The Department of Revenue shall:
 - 1. Certify the payment due each county, city, and school district, including the amount distributed to the county under subsection (5) of this section, to the Finance and Administration Cabinet; and
 - 2. Notify the Department for Local Government of that certification.
- (c) Upon certification by the Department of Revenue, the Finance and Administration Cabinet shall make the payment to such district.
- (8) In each fiscal year, after the Department of Revenue has calculated the prorated payment amount that is due to each county, city, and school district under subsections (6) and (7) of this section, the Department for Local Government shall notify in writing the fiscal court of each fund-eligible county regarding the amount that the county, city, and school district shall receive for the fiscal year, including the amount distributed to the county under subsection (5) of this section.
- (9) No amount shall be taken from the fund to pay administrative expenses by the Department for Local Government.
- (10) All agencies receiving funds under this section shall provide a written report annually, no later than October 1, to the fiscal court that designated it for payment and to the **Department for Local Government**~~Interim Joint Committee on Appropriations and Revenue~~. The report shall describe how the funds were expended and the results of the use of funds in terms of economic development and job creation.
- (11) **No later than December 1 of each year, the Department for Local Government shall report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue the total amount of funds distributed to each agency for the fiscal year, how each agency expended the funds, and the results of the use of funds in terms of economic development and job creation.**

➔Section 5. KRS 154.30-030 is amended to read as follows:

- (1) (a) 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.
 - (b) 1. **The programs under paragraph (a) of this subsection shall sunset on the effective date of this section of this Act, and new applications shall not be submitted or considered for approval after the effective date of this section of this Act.**
 - 2. **Projects approved prior to the effective date of this section of this Act shall continue to be governed in accordance with the tax incentive agreement's terms and conditions as set forth in KRS 154.30-070.**
 - 3. **Tax incentive agreements related to the programs under paragraph (a) of this subsection shall not be amended or have activation date extensions approved by the Commonwealth after the effective date of this section of this Act.**
- (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, **before the effective date of this section of this Act.**
 - 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)(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 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 6. 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, ~~2026~~~~[2025]~~, the Internal Revenue Code in effect on December 31, ~~2025~~~~[2024]~~, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2024, 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 7. KRS 141.019 is amended to read as follows:

In the case of taxpayers other than corporations:

- (1) Adjusted gross income shall be calculated by subtracting from the gross income of those taxpayers the deductions allowed individuals by Section 62 of the Internal Revenue Code and adjusting as follows:
- (a) Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States;
 - (b) Exclude income from supplemental annuities provided by the Railroad Retirement Act of 1937 as amended and which are subject to federal income tax by Pub. L. No. 89-699;
 - (c) Include interest income derived from obligations of sister states and political subdivisions thereof;
 - (d) Exclude employee pension contributions picked up as provided for in KRS 6.505, 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610, and 161.540 upon a ruling by the Internal Revenue Service or the federal courts that these contributions shall not be included as gross income until such time as the contributions are distributed or made available to the employee;
 - (e) Exclude Social Security and railroad retirement benefits subject to federal income tax;
 - (f) Exclude any money received because of a settlement or judgment in a lawsuit brought against a manufacturer or distributor of "Agent Orange" for damages resulting from exposure to Agent Orange by a member or veteran of the Armed Forces of the United States or any dependent of such person who served in Vietnam;
 - (g) 1. a. For taxable years beginning after December 31, 2005, but before January 1, 2018, exclude up to forty-one thousand one hundred ten dollars (\$41,110) of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans; and
 - b. For taxable years beginning on or after January 1, 2018, exclude up to thirty-one thousand one hundred ten dollars (\$31,110) of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans.
 2. As used in this paragraph:
 - a. "Annuity contract" has the same meaning as set forth in Section 1035 of the Internal Revenue Code;
 - b. "Distributions" includes but is not limited to any lump-sum distribution from pension or profit-sharing plans qualifying for the income tax averaging provisions of Section 402 of the Internal Revenue Code; any distribution from an individual retirement account as defined in Section 408 of the Internal Revenue Code; and any disability pension distribution; and
 - c. "Pension plans, profit-sharing plans, retirement plans, or employee savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code;

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- (h) 1. a. Exclude the portion of the distributive share of a shareholder's net income from an S corporation subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300; and
 - b. Exclude the portion of the distributive share of a shareholder's net income from an S corporation related to a qualified subchapter S subsidiary subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.
- 2. The shareholder's basis of stock held in an S corporation where the S corporation or its qualified subchapter S subsidiary is subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300 shall be the same as the basis for federal income tax purposes;
- (i) Exclude income received for services performed as a precinct worker for election training or for working at election booths in state, county, and local primaries or regular or special elections;
- (j) Exclude any capital gains income attributable to property taken by eminent domain;
- (k) 1. Exclude all income from all sources for members of the Armed Forces who are on active duty and who are killed in the line of duty, for the year during which the death occurred and the year prior to the year during which the death occurred.
 - 2. For the purposes of this paragraph, "all income from all sources" shall include all federal and state death benefits payable to the estate or any beneficiaries;
- (l) Exclude all military pay received by members of the Armed Forces while on active duty;
- (m) 1. Include the amount deducted for depreciation under 26 U.S.C. sec. 167 or 168; and
 - 2. Exclude the amounts allowed by KRS 141.0101 for depreciation;
- (n) Include the amount deducted under 26 U.S.C. sec. 199A;
- (o) Ignore any change in the cost basis of the surviving spouse's share of property owned by a Kentucky community property trust occurring for federal income tax purposes as a result of the death of the predeceasing spouse;
- (p) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and 278, related to the tax treatment of forgiven covered loans, deductions attributable to those loans, and tax attributes associated with those loans for taxable years ending on or after March 27, 2020, but before January 1, 2022; ~~and~~
- (q) For taxable years beginning on or after January 1, 2020, but before March 11, 2023, allow the same treatment of restaurant revitalization grants in accordance with Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c, related to the tax treatment of the grants, deductions attributable to those grants, and tax attributes associated with those grants; ~~and~~
- (r) ***For taxable years beginning on or after January 1, 2026:***
 - 1. ***Include the amount deducted for domestic research or experimental expenditures under 26 U.S.C. sec. 174A; and***
 - 2. ***Exclude the amount deducted for domestic research or experimental expenditures under 26 U.S.C. sec. 174, as that section existed on December 31, 2024;***
- (s) ***Include the amount deducted for any qualified film or television production, any qualified live theatrical production, and any qualified sound recording production under 26 U.S.C. sec. 181; and***
- (t) ***Include interest deducted under 26 U.S.C. sec. 139L for amounts paid to a qualified lender on any qualified real estate loan; and***
- (2) Net income shall be calculated by subtracting from adjusted gross income all the deductions allowed individuals by Chapter 1 of the Internal Revenue Code, as modified by KRS 141.0101, except:
 - (a) Any deduction allowed by 26 U.S.C. sec. 164 for taxes;
 - (b) Any deduction allowed by 26 U.S.C. sec. 165 for losses, except wagering losses allowed under Section 165(d) of the Internal Revenue Code;
 - (c) Any deduction allowed by 26 U.S.C. sec. 213 for medical care expenses;

- (d) Any deduction allowed by 26 U.S.C. sec. 217 for moving expenses;
- (e) Any deduction allowed by 26 U.S.C. sec. 67 for any other miscellaneous deduction;
- (f) Any deduction allowed by the Internal Revenue Code for amounts allowable under KRS 140.090(1)(h) in calculating the value of the distributive shares of the estate of a decedent, unless there is filed with the income return a statement that the deduction has not been claimed under KRS 140.090(1)(h);
- (g) Any deduction allowed by 26 U.S.C. sec. 151 for personal exemptions and any other deductions in lieu thereof;
- (h) Any deduction allowed for amounts paid to any club, organization, or establishment which has been determined by the courts or an agency established by the General Assembly and charged with enforcing the civil rights laws of the Commonwealth, not to afford full and equal membership and full and equal enjoyment of its goods, services, facilities, privileges, advantages, or accommodations to any person because of race, color, religion, national origin, or sex, except nothing shall be construed to deny a deduction for amounts paid to any religious or denominational club, group, or establishment or any organization operated solely for charitable or educational purposes which restricts membership to persons of the same religion or denomination in order to promote the religious principles for which it is established and maintained;~~and~~
- (i) A taxpayer may elect to claim the standard deduction allowed by KRS 141.081 instead of itemized deductions allowed pursuant to 26 U.S.C. sec. 63 and as modified by this section;
- (j) *For taxable years beginning on or after January 1, 2026, any deduction allowed by 26 U.S.C. sec. 163(h)(3) as qualified residence interest shall be limited to the amount of interest paid or accrued during the taxable year on the acquisition indebtedness of the principal residence of the taxpayer and shall not be claimed for more than one (1) qualified residence;*
- (k) *Any deduction allowed by 26 U.S.C. sec. 224 for qualified tips;*
- (l) *Any deduction allowed by 26 U.S.C. sec. 225 for qualified overtime compensation; and*
- (m) *Any deduction allowed by 26 U.S.C. sec. 163(h)(4) for qualified passenger vehicle loan interest.*

➔Section 8. KRS 141.039 is amended to read as follows:

In the case of corporations:

- (1) Gross income shall be calculated by adjusting federal gross income as defined in Section 61 of the Internal Revenue Code as follows:
 - (a) Exclude income that is exempt from state taxation by the Kentucky Constitution and the Constitution and statutory laws of the United States;
 - (b) Exclude all dividend income;
 - (c) Include interest income derived from obligations of sister states and political subdivisions thereof;
 - (d) Exclude fifty percent (50%) of gross income derived from any disposal of coal covered by Section 631(c) of the Internal Revenue Code if the corporation does not claim any deduction for percentage depletion, or for expenditures attributable to the making and administering of the contract under which such disposition occurs or to the preservation of the economic interests retained under such contract;
 - (e) Include the amount calculated under KRS 141.205;
 - (f) Ignore the provisions of Section 281 of the Internal Revenue Code in computing gross income;
 - (g) Include the amount of depreciation deduction calculated under 26 U.S.C. sec. 167 or 168;
 - (h) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and 278, related to the tax treatment of forgiven covered loans, deductions attributable to those loans, and tax attributes associated with those loans for taxable years ending on or after March 27, 2020, but before January 1, 2022;~~and~~
 - (i) For taxable years beginning on or after January 1, 2020, but before March 11, 2023, allow the same treatment of restaurant revitalization grants in accordance with Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c, related to the tax treatment of the grants, deductions attributable to those grants, and tax attributes associated with those grants;~~and~~

‡

- (j) *For taxable years beginning on or after January 1, 2026:*
1. *Include the amount deducted for domestic research or experimental expenditures under 26 U.S.C. sec. 174A; and*
 2. *Exclude the amount deducted for domestic research or experimental expenditures under 26 U.S.C. sec. 174, as that section existed on December 31, 2024;*
- (k) *Include the amount deducted for any qualified film or television production, any qualified live theatrical production, and any qualified sound recording production under 26 U.S.C. sec. 181;*
- (l) *Include interest deducted under 26 U.S.C. sec. 139L for amounts paid to a qualified lender on any qualified real estate loan; and*
- (m) *For purposes of determining the limitation on business interest under 26 U.S.C. sec. 163(j), the provisions of that section in effect on December 31, 2024, exclusive of any amendments made subsequent to that date, shall be used; and*
- (2) Net income shall be calculated by subtracting from gross income:
- (a) The deduction for depreciation allowed by KRS 141.0101;
 - (b) Any amount paid for vouchers or similar instruments that provide health insurance coverage to employees or their families;
 - (c) All the deductions from gross income allowed corporations by Chapter 1 of the Internal Revenue Code, as modified by KRS 141.0101, except:
 1. Any deduction for a state tax which is computed, in whole or in part, by reference to gross or net income and which is paid or accrued to any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or to any foreign country or political subdivision thereof;
 2. The deductions contained in Sections 243, 245, and 247 of the Internal Revenue Code;
 3. The provisions of Section 281 of the Internal Revenue Code shall be ignored in computing net income;
 4. Any deduction directly or indirectly allocable to income which is either exempt from taxation or otherwise not taxed under the provisions of this chapter, except for deductions allowed under Pub. L. No. 116-260, secs. 276 and 278, related to the tax treatment of forgiven covered loans and deductions attributable to those loans for taxable years ending on or after March 27, 2020, but before January 1, 2022; and deductions allowed under Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c, related to the tax treatment of restaurant revitalization grants and deductions attributable to those grants for taxable years beginning on or after January 1, 2020, but before March 11, 2023. Nothing in this chapter shall be construed to permit the same item to be deducted more than once;
 5. Any deduction for amounts paid to any club, organization, or establishment which has been determined by the courts or an agency established by the General Assembly and charged with enforcing the civil rights laws of the Commonwealth, not to afford full and equal membership and full and equal enjoyment of its goods, services, facilities, privileges, advantages, or accommodations to any person because of race, color, religion, national origin, or sex, except nothing shall be construed to deny a deduction for amounts paid to any religious or denominational club, group, or establishment or any organization operated solely for charitable or educational purposes which restricts membership to persons of the same religion or denomination in order to promote the religious principles for which it is established and maintained;
 6. Any deduction prohibited by KRS 141.205; and
 7. Any dividends-paid deduction of any captive real estate investment trust; and
 - (d)
 1. A deferred tax deduction in an amount computed in accordance with this paragraph.
 2. For purposes of this paragraph:

- a. "Net deferred tax asset" means that deferred tax assets exceed the deferred tax liabilities of the combined group, as computed in accordance with accounting principles generally accepted in the United States of America; and
 - b. "Net deferred tax liability" means deferred tax liabilities that exceed the deferred tax assets of a combined group as defined in KRS 141.202, as computed in accordance with accounting principles generally accepted in the United States of America.
3. Only publicly traded companies, including affiliated corporations participating in the filing of a publicly traded company's financial statements prepared in accordance with accounting principles generally accepted in the United States of America, as of January 1, 2019, shall be eligible for this deduction.
 4. If the provisions of KRS 141.202 result in an aggregate increase to the member's net deferred tax liability, an aggregate decrease to the member's net deferred tax asset, or an aggregate change from a net deferred tax asset to a net deferred tax liability, the combined group shall be entitled to a deduction, as determined in this paragraph.
 5. For ten (10) years beginning with the combined group's first taxable year beginning on or after January 1, ~~2028~~~~2026~~, a combined group shall be entitled to a deduction from the combined group's entire net income equal to one-tenth (1/10) of the amount necessary to offset the increase in the net deferred tax liability, decrease in the net deferred tax asset, or aggregate change from a net deferred tax asset to a net deferred tax liability. The increase in the net deferred tax liability, decrease in the net deferred tax asset, or the aggregate change from a net deferred tax asset to a net deferred tax liability shall be computed based on the change that would result from the imposition of the combined reporting requirement under KRS 141.202, but for the deduction provided under this paragraph as of June 27, 2019.
 6. The deferred tax impact determined in subparagraph 5. of this paragraph shall be converted to the annual deferred tax deduction amount, as follows:
 - a. The deferred tax impact determined in subparagraph 5. of this paragraph shall be divided by the tax rate determined under KRS 141.040;
 - b. The resulting amount shall be further divided by the apportionment factor determined by KRS 141.120 or 141.121 that was used by the combined group in the calculation of the deferred tax assets and deferred tax liabilities as described in subparagraph 5. of this paragraph; and
 - c. The resulting amount represents the total net deferred tax deduction available over the ten (10) year period as described in subparagraph 5. of this paragraph.
 7. The deduction calculated under this paragraph shall not be adjusted as a result of any events happening subsequent to the calculation, including but not limited to any disposition or abandonment of assets. The deduction shall be calculated without regard to the federal tax effect and shall not alter the tax basis of any asset. If the deduction under this section is greater than the combined group's entire Kentucky net income, any excess deduction shall be carried forward and applied as a deduction to the combined group's entire net income in future taxable years until fully utilized.
 8. ***Any combined group intending to claim a deduction under this paragraph shall file a statement with the department on or before July 1, 2019. The statement shall specify the total amount of the deduction which the combined group claims on the form, including calculations and other information supporting the total amounts of the deduction as required by the department. No deduction shall be allowed under this paragraph for any taxable year, except to the extent claimed on the timely filed statement in accordance with this paragraph.***

➔SECTION 9. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO READ AS FOLLOWS:

(1) *As used in this section:*

- (a) ***"Adjusted gross fantasy contest receipts" means the total sum of entry fees collected by a fantasy contest service provider from all fantasy contest participants entering a fantasy contest, less winnings paid to fantasy contest participants in the contest;***

- (b) *"Athlete"*:
1. *Means a professional or amateur competitor in a real-world lawful sporting event or an organized video game competition that is:*
 - a. *Regulated by a sports governing body; and*
 - b. *Held between players who play individually or as a team; and*
 2. *Includes equine competitors;*
- (c) *"Department"* means the Department of Revenue;
- (d) *"Fantasy contest"*:
1. *Means any online fantasy or simulated game or contest that meets the following conditions:*
 - a. *There are no fewer than two (2) fantasy contest participants;*
 - i. *All fantasy contest participants are natural persons; and*
 - ii. *A fantasy contest service provider shall not be construed to be a participant;*
 - b. *i. The values of all prizes offered to winning fantasy contest participants are established and made known to fantasy contest participants in advance of the contest;*
 - ii. *Multiple winning participants may share a prize; and*
 - iii. *Prizes may consist of fixed amounts, tiered payouts, or other conditional bonus payouts, provided that all prize structures are disclosed in advance by the fantasy contest service provider;*
 - c. *All winning outcomes reflect the relative knowledge and skill of the fantasy contest participant and are determined predominantly by the accumulated statistical performance or finishing position of multiple athletes across one (1) or more real-world sporting events;*
 - d. *Fantasy contest participants assemble a fictional entry or roster of actual athletes and exercise management or selection control over the roster;*
 - e. *Fantasy contest participants compete for prizes awarded by a fantasy contest service provider based on terms and conditions published by the fantasy contest service provider and made known to the fantasy contest participant in advance of the contest;*
 - f. *Winning outcomes are determined by clearly established scoring criteria based on one (1) or more statistical results of the performance of an individual athlete, including but not limited to a fantasy score;*
 - g. *A winning outcome is not based:*
 - i. *On the score, point spread, or outcome of a single real-world team or combination of teams; or*
 - ii. *Solely on any single performance of an individual athlete or participant in any single actual event; and*
 - h. *The game or contest does not violate any provision of federal law;*
 2. *Includes contests in which fantasy contest participants compete against each other; and*
 3. *Does not include any fantasy contest:*
 - a. *Without a fantasy contest entry fee; or*
 - b. *Betting against the fantasy contest service provider;*
- (e) *"Fantasy contest entry fee"* means the cash or cash equivalent that is required to be paid by a fantasy contest participant in advance to a fantasy contest service provider in order to participate in a fantasy contest;
- (f) *"Fantasy contest participant"* means a person who is twenty-one (21) years of age or older who is:

1. *Kentucky resident who participates in a fantasy contest offered by a fantasy contest service provider; and*
 2. *Not a Kentucky resident who participates in a fantasy contest offered by a fantasy contest service provider while in Kentucky; and*
- (g) *"Fantasy contest service provider":*
1. *Means a person or entity that offers fantasy contests to the general public; and*
 2. *Does not include an internet service provider or a provider of mobile data services merely as a result of that provider's transporting of general traffic that may include a fantasy contest.*
- (2) *Beginning on January 1, 2027, the Commonwealth shall impose and collect a tax at a rate of twelve percent (12%) of the fantasy contest service provider's adjusted gross fantasy contest receipts. The accrual method of accounting shall be used for purposes of calculating the amount of tax owed by the licensee.*
 - (3) *The tax imposed by subsection (2) of this section is due and payable monthly and shall be remitted to the department on or before the twentieth day of the next succeeding calendar month.*
 - (4) *The fantasy contest service provider's payment shall be accompanied by a return prescribed by the department indicating the amount of tax due for the previous calendar month as well as any other information the department shall require through an administrative regulation promulgated in accordance with KRS Chapter 13A.*
 - (5) *Any fantasy contest service provider who violates any provision of this section shall be subject to the uniform civil penalties imposed under KRS 131.180.*
 - (6) *In every case, any tax not paid on or before the due date shall bear interest at the tax interest rate as defined in KRS 131.010 from the due date until the date of payment.*
 - (7) *It is the purpose and intent of the General Assembly to levy taxes on persons engaged in the operations of fantasy contests. It is not the intent of the General Assembly to legalize these activities.*

➔Section 10. KRS 2.015 is amended to read as follows:

Persons of the age of eighteen (18) years are of the age of majority for all purposes in this Commonwealth except for:

- (1) The purchase of alcoholic beverages;
- (2) *Participating in fantasy sports contests;* and
- (3) For purposes of care and treatment of children with disabilities~~[-];~~

for which twenty-one (21) years is the age of majority, all other statutes to the contrary notwithstanding.

➔Section 11. KRS 139.010 is amended to read as follows:

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

- (1) (a) "Admissions" means the fees paid for:
 1. The right of entrance to a display, program, sporting event, music concert, performance, play, show, movie, exhibit, fair, or other entertainment or amusement event or venue; and
 2. The privilege of using facilities or participating in an event or activity, including but not limited to:
 - a. Bowling centers;
 - b. Skating rinks;
 - c. Health spas;
 - d. Swimming pools;
 - e. Tennis courts;
 - f. Weight training facilities;
 - g. Fitness and recreational sports centers; and

- h. Golf courses, both public and private;
regardless of whether the fee paid is per use or in any other form, including but not limited to an initiation fee, monthly fee, membership fee, or combination thereof.
- (b) "Admissions" does not include:
1. Any fee paid to enter or participate in a fishing tournament; or
 2. Any fee paid for the use of a boat ramp for the purpose of allowing boats to be launched into or hauled out from the water;
- (2) "Advertising and promotional direct mail" means direct mail the primary purpose of which is to attract public attention to a product, person, business, or organization, or to attempt to sell, popularize, or secure financial support for a product, person, business, or organization. As used in this definition, "product" means tangible personal property, an item transferred electronically, or a service;
- (3) "Business" includes any activity engaged in by any person or caused to be engaged in by that person with the object of gain, benefit, or advantage, either direct or indirect;
- (4) "Commonwealth" means the Commonwealth of Kentucky;
- (5) (a) "Cosmetic surgery services" means modifications to all areas of the head, neck, and body to enhance appearance through surgical and medical techniques.
- (b) "Cosmetic surgery services" does not include surgery services that are medically necessary to reconstruct or correct dysfunctional areas of the face and body due to birth disorders, trauma, burns, or disease;
- (6) ***"Data brokering services" means the act of collecting, aggregating, and analyzing personal data for sale to a third party while possession of the personal data is maintained by the person providing the data brokering services or by the third party, wherever located, regardless of whether the charge for the services provided is on a per use, per user, per license, subscription, or some other basis;***
- (7) "Department" means the Department of Revenue;
- ~~(8)~~~~(7)~~ (a) "Digital audio-visual works" means a series of related images which, when shown in succession, impart an impression of motion, with accompanying sounds, if any.
- (b) "Digital audio-visual works" includes movies, motion pictures, musical videos, news and entertainment programs, and live events.
- (c) "Digital audio-visual works" ~~does~~~~shall~~ not include video greeting cards, video games, and electronic games;
- ~~(9)~~~~(8)~~ (a) "Digital audio works" means works that result from the fixation of a series of musical, spoken, or other sounds.
- (b) "Digital audio works" includes ringtones, recorded or live songs, music, readings of books or other written materials, speeches, or other sound recordings.
- (c) "Digital audio works" ~~does~~~~shall~~ not include audio greeting cards sent by electronic mail;
- ~~(10)~~~~(9)~~ (a) "Digital books" means works that are generally recognized in the ordinary and usual sense as books, including any literary work expressed in words, numbers, or other verbal or numerical symbols or indicia if the literary work is generally recognized in the ordinary or usual sense as a book.
- (b) "Digital books" ~~does~~~~shall~~ not include digital audio-visual works, digital audio works, periodicals, magazines, newspapers, or other news or information products, chat rooms, or weblogs;
- ~~(11)~~~~(10)~~ (a) "Digital code" means a code which provides a purchaser with a right to obtain one (1) or more types of digital property. A "digital code" may be obtained by any means, including electronic mail messaging or by tangible means, regardless of the code's designation as a song code, video code, or book code.
- (b) "Digital code" ~~does~~~~shall~~ not include a code that represents:
1. A stored monetary value that is deducted from a total as it is used by the purchaser; or

2. A redeemable card, gift card, or gift certificate that entitles the holder to select specific types of digital property;
- ~~(12)~~~~(11)~~ (a) "Digital property" means any of the following which is transferred electronically:
1. Digital audio works;
 2. Digital books;
 3. Finished artwork;
 4. Digital photographs;
 5. Periodicals;
 6. Newspapers;
 7. Magazines;
 8. Video greeting cards;
 9. Audio greeting cards;
 10. Video games;
 11. Electronic games; or
 12. Any digital code related to this property.
- (b) "Digital property" ~~does~~~~shall~~ not include digital audio-visual works or satellite radio programming;
- ~~(13)~~~~(12)~~ (a) "Direct mail" means printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items are not billed directly to the recipient.
- (b) "Direct mail" includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail retailer for inclusion in the package containing the printed material.
- (c) "Direct mail" does not include multiple items of printed material delivered to a single address;
- ~~(14)~~~~(13)~~ "Directly used in the manufacturing or industrial processing process" means the process that commences with the movement of raw materials from storage into a continuous, unbroken, integrated process and ends when the finished product is packaged and ready for sale;
- ~~(15)~~~~(14)~~ (a) "Executive employee recruitment services" means services provided by a person to locate potential candidates to fill open senior-level management positions.
- (b) "Executive employee recruitment services" includes but is not limited to making a detailed list of client requirements, researching and identifying potential candidates, performing prescreening interviews, and providing contract and salary negotiations;
- ~~(16)~~~~(15)~~ (a) "Extended warranty services" means services provided through a service contract agreement between the contract provider and the purchaser where the purchaser agrees to pay compensation for the contract and the provider agrees to repair, replace, support, or maintain tangible personal property, digital property, real property, or prewritten computer software access services according to the terms of the contract.
- (b) "Extended warranty services" does not include the sale of a service contract agreement for tangible personal property to be used by a small telephone utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in KRS 65.7621 to deliver communications services as defined in KRS 136.602 or broadband;
- ~~(17)~~~~(16)~~ (a) "Finished artwork" means final art that is used for actual reproduction by photomechanical or other processes or for display purposes.
- (b) "Finished artwork" includes:
1. Assemblies;
 2. Charts;

3. Designs;
 4. Drawings;
 5. Graphs;
 6. Illustrative materials;
 7. Lettering;
 8. Mechanicals;
 9. Paintings; and
 10. Paste-ups;
- (18)~~(17)~~ (a) "Gross receipts" and "sales price" mean the total amount or consideration, including cash, credit, property, and services, for which tangible personal property, digital property, or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for any of the following:
1. The retailer's cost of the tangible personal property, digital property, or services sold;
 2. The cost of the materials used, labor or service cost, interest, losses, all costs of transportation to the retailer, all taxes imposed on the retailer, or any other expense of the retailer;
 3. Charges by the retailer for any services necessary to complete the sale;
 4. Delivery charges, which are defined as charges by the retailer for the preparation and delivery to a location designated by the purchaser including transportation, shipping, postage, handling, crating, and packing;
 5. Any amount for which credit is given to the purchaser by the retailer, other than credit for tangible personal property or digital property traded when the tangible personal property or digital property traded is of like kind and character to the property purchased and the property traded is held by the retailer for resale; and
 6. The amount charged for labor or services rendered in installing or applying the tangible personal property, digital property, or service sold.
- (b) "Gross receipts" and "sales price" ~~shall~~ include consideration received by the retailer from a third party if:
1. The retailer actually receives consideration from a third party and the consideration is directly related to a price reduction or discount on the sale to the purchaser;
 2. The retailer has an obligation to pass the price reduction or discount through to the purchaser;
 3. The amount of consideration attributable to the sale is fixed and determinable by the retailer at the time of the sale of the item to the purchaser; and
 4. One (1) of the following criteria is met:
 - a. The purchaser presents a coupon, certificate, or other documentation to the retailer to claim a price reduction or discount where the coupon, certificate, or documentation is authorized, distributed, or granted by a third party with the understanding that the third party will reimburse any seller to whom the coupon, certificate, or documentation is presented;
 - b. The price reduction or discount is identified as a third-party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate, or other documentation presented by the purchaser; or
 - c. The purchaser identifies himself or herself to the retailer as a member of a group or organization entitled to a price reduction or discount. A "preferred customer" card that is available to any patron does not constitute membership in such a group.
- (c) "Gross receipts" and "sales price" ~~do shall~~ not include:
1. Discounts, including cash, term, or coupons that are not reimbursed by a third party and that are allowed by a retailer and taken by a purchaser on a sale;

2. Interest, financing, and carrying charges from credit extended on the sale of tangible personal property, digital property, or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser;
 3. Any taxes legally imposed directly on the purchaser that are separately stated on the invoice, bill of sale, or similar document given to the purchaser; or
 4. Local alcohol regulatory license fees authorized under KRS 243.075 that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.
- (d) As used in this subsection, "third party" means a person other than the purchaser;
- ~~(19)~~~~(18)~~ "In this state" or "in the state" means within the exterior limits of the Commonwealth and includes all territory within these limits owned by or ceded to the United States of America;
- ~~(20)~~~~(19)~~ "Industrial processing" includes:
- (a) Refining;
 - (b) Extraction of minerals, ores, coal, clay, stone, petroleum, or natural gas;
 - (c) Mining, quarrying, fabricating, and industrial assembling;
 - (d) The processing and packaging of raw materials, in-process materials, and finished products; and
 - (e) The processing and packaging of farm and dairy products for sale;
- ~~(21)~~~~(20)~~ (a) "Lease or rental" means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental ~~includes~~~~shall include~~ future options to:
1. Purchase the property; or
 2. Extend the terms of the agreement and agreements covering trailers where the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property as defined in 26 U.S.C. sec. 7701(h)(1).
- (b) "Lease or rental" ~~does~~~~shall~~ not include:
1. A transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments;
 2. A transfer of possession or control of property under an agreement that requires the transfer of title upon completion of the required payments and payment of an option price that does not exceed the greater of one hundred dollars (\$100) or one percent (1%) of the total required payments; or
 3. Providing tangible personal property and an operator for the tangible personal property for a fixed or indeterminate period of time. To qualify for this exclusion, the operator must be necessary for the equipment to perform as designed, and the operator must do more than maintain, inspect, or setup the tangible personal property.
- (c) This definition shall apply regardless of the classification of a transaction under generally accepted accounting principles, the Internal Revenue Code, or other provisions of federal, state, or local law;
- ~~(22)~~~~(21)~~ (a) "Lobbying services" means the act of promoting or securing passage of legislation or an attempt to influence or sway a public official or other public servant toward a desired action, including but not limited to the support of or opposition to a project or the passage, amendment, defeat, approval, or veto of any legislation, regulation, rule, or ordinance.~~;~~
- (b) "Lobbying services" includes but is not limited to the performance of activities described as executive agency lobbying activities as defined in KRS 11A.201, activities described under the definition of lobby in KRS 6.611, and any similar activities performed at the local, state, or federal levels;
- ~~(23)~~~~(22)~~ (a) "Machinery for new and expanded industry" means machinery:
1. Directly used in the manufacturing or industrial processing process of:
 - a. Tangible personal property at a plant facility;

- b. Distilled spirits or wine at a plant facility or on the premises of a distiller, rectifier, winery, or small farm winery licensed under KRS 243.030 that includes a retail establishment on the premises; or
 - c. Malt beverages at a plant facility or on the premises of a brewer or microbrewery licensed under KRS 243.040 that includes a retail establishment;
2. Which is incorporated for the first time into:
- a. A plant facility established in this state; or
 - b. Licensed premises located in this state; and
3. Which does not replace machinery in the plant facility or licensed premises unless that machinery purchased to replace existing machinery:
- a. Increases the consumption of recycled materials at the plant facility by not less than ten percent (10%);
 - b. Performs different functions;
 - c. Is used to manufacture a different product; or
 - d. Has a greater productive capacity, as measured in units of production, than the machinery being replaced.
- (b) "Machinery for new and expanded industry" does not include repair, replacement, or spare parts of any kind, regardless of whether the purchase of repair, replacement, or spare parts is required by the manufacturer or seller as a condition of sale or as a condition of warranty;
- ~~(24)~~~~(23)~~ "Manufacturing" means any process through which material having little or no commercial value for its intended use before processing has appreciable commercial value for its intended use after processing by the machinery;
- ~~(25)~~~~(24)~~ "Marketplace" means any physical or electronic means through which one (1) or more retailers may advertise and sell tangible personal property, digital property, or services, or lease tangible personal property or digital property, such as a catalog, internet website, or television or radio broadcast, regardless of whether the tangible personal property, digital property, or retailer is physically present in this state;
- ~~(26)~~~~(25)~~ (a) "Marketplace provider" means a person, including any affiliate of the person, that facilitates a retail sale by satisfying subparagraphs 1. and 2. of this paragraph as follows:
- 1. The person directly or indirectly:
 - a. Lists, makes available, or advertises tangible personal property, digital property, or services for sale by a marketplace retailer in a marketplace owned, operated, or controlled by the person;
 - b. Facilitates the sale of a marketplace retailer's product through a marketplace by transmitting or otherwise communicating an offer or acceptance of a retail sale of tangible personal property, digital property, or services between a marketplace retailer and a purchaser in a forum including a shop, store, booth, catalog, internet site, or similar forum;
 - c. Owns, rents, licenses, makes available, or operates any electronic or physical infrastructure or any property, process, method, copyright, trademark, or patent that connects marketplace retailers to purchasers for the purpose of making retail sales of tangible personal property, digital property, or services;
 - d. Provides a marketplace for making retail sales of tangible personal property, digital property, or services, or otherwise facilitates retail sales of tangible personal property, digital property, or services, regardless of ownership or control of the tangible personal property, digital property, or services, that are the subject of the retail sale;
 - e. Provides software development or research and development activities related to any activity described in this subparagraph, if the software development or research and development activities are directly related to the physical or electronic marketplace provided by a marketplace provider;

- f. Provides or offers fulfillment or storage services for a marketplace retailer;
 - g. Sets prices for a marketplace retailer's sale of tangible personal property, digital property, or services;
 - h. Provides or offers customer service to a marketplace retailer or a marketplace retailer's customers, or accepts or assists with taking orders, returns, or exchanges of tangible personal property, digital property, or services sold by a marketplace retailer; or
 - i. Brands or otherwise identifies sales as those of the marketplace provider; and
2. The person directly or indirectly:
- a. Collects the sales price or purchase price of a retail sale of tangible personal property, digital property, or services;
 - b. Provides payment processing services for a retail sale of tangible personal property, digital property, or services;
 - c. Through terms and conditions, agreements, or arrangements with a third party, collects payment in connection with a retail sale of tangible personal property, digital property, or services from a purchaser and transmits that payment to the marketplace retailer, regardless of whether the person collecting and transmitting the payment receives compensation or other consideration in exchange for the service; or
 - d. Provides a virtual currency that purchasers are allowed or required to use to purchase tangible personal property, digital property, or services.
- (b) "Marketplace provider" includes but is not limited to a person that satisfies the requirements of this subsection through the ownership, operation, or control of a digital distribution service, digital distribution platform, online portal, or application store;
- ~~(27)(26)~~ "Marketplace retailer" means a seller that makes retail sales through any marketplace owned, operated, or controlled by a marketplace provider;
- ~~(28)(27)~~ (a) "Occasional sale" includes:
- 1. A sale of tangible personal property or digital property not held or used by a seller in the course of an activity for which he or she is required to hold a seller's permit, provided such sale is not one (1) of a series of sales sufficient in number, scope, and character to constitute an activity requiring the holding of a seller's permit. In the case of the sale of the entire, or a substantial portion of the nonretail assets of the seller, the number of previous sales of similar assets shall be disregarded in determining whether or not the current sale or sales shall qualify as an occasional sale; or
 - 2. Any transfer of all or substantially all the tangible personal property or digital property held or used by a person in the course of such an activity when after such transfer the real or ultimate ownership of such property is substantially similar to that which existed before such transfer.
- (b) For the purposes of this subsection, stockholders, bondholders, partners, or other persons holding an interest in a corporation or other entity are regarded as having the "real or ultimate ownership" of the tangible personal property or digital property of such corporation or other entity;
- ~~(29)(28)~~ (a) "Other direct mail" means any direct mail that is not advertising and promotional direct mail, regardless of whether advertising and promotional direct mail is included in the same mailing.
- (b) "Other direct mail" includes but is not limited to:
- 1. Transactional direct mail that contains personal information specific to the addressee, including but not limited to invoices, bills, statements of account, and payroll advices;
 - 2. Any legally required mailings, including but not limited to privacy notices, tax reports, and stockholder reports; and
 - 3. Other nonpromotional direct mail delivered to existing or former shareholders, customers, employees, or agents, including but not limited to newsletters and informational pieces.

- (c) "Other direct mail" does not include the development of billing information or the provision of any data processing service that is more than incidental to the production of printed material;
- ~~(30)~~~~(29)~~ "Person" includes any individual, firm, copartnership, joint venture, association, social club, fraternal organization, corporation, estate, trust, business trust, receiver, trustee, syndicate, cooperative, assignee, governmental unit or agency, or any other group or combination acting as a unit;
- ~~(31)~~~~(30)~~ "Permanent," as the term applies to digital property, means perpetual or for an indefinite or unspecified length of time;
- ~~(32)~~~~(31)~~ (a) "Photography and photofinishing services" means:
1. The taking, developing, or printing of an original photograph; or
 2. Image editing, including shadow removal, tone adjustments, vertical and horizontal alignment and cropping, composite image creation, formatting, watermarking printing, and delivery of an original photograph in the form of tangible personal property, digital property, or other media.
- (b) "Photography and photofinishing services" does not include photography services necessary for medical or dental health;
- ~~(33)~~~~(32)~~ "Plant facility" means a single location that is exclusively dedicated to manufacturing or industrial processing activities. A location shall be deemed to be exclusively dedicated to manufacturing or industrial processing activities even if retail sales are made there, provided that the retail sales are incidental to the manufacturing or industrial processing activities occurring at the location. The term "plant facility" ~~does~~~~shall~~ not include any restaurant, grocery store, shopping center, or other retail establishment;
- ~~(34)~~~~(33)~~ (a) "Prewritten computer software" means:
1. Computer software, including prewritten upgrades, that are not designed and developed by the author or other creator to the specifications of a specific purchaser;
 2. Software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the original purchaser; or
 3. Any portion of prewritten computer software that is modified or enhanced in any manner, where the modification or enhancement is designed and developed to the specifications of a specific purchaser, unless there is a reasonable, separately stated charge on an invoice or other statement of the price to the purchaser for the modification or enhancement.
- (b) When a person modifies or enhances computer software of which the person is not the author or creator, the person shall be deemed to be the author or creator only of the modifications or enhancements the person actually made.
- (c) The combining of two (2) or more prewritten computer software programs or portions thereof does not cause the combination to be other than prewritten computer software;
- ~~(35)~~~~(34)~~ "Prewritten computer software access services" means the right of access to prewritten computer software where the object of the transaction is to use the prewritten computer software while possession of the prewritten computer software is maintained by the seller or a third party, wherever located, regardless of whether the charge for the access or use is on a per use, per user, per license, subscription, or some other basis;
- ~~(36)~~~~(35)~~ (a) "Purchase" means any transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise, in any manner or by any means whatsoever, of:
1. Tangible personal property;
 2. An extended warranty service;
 3. Digital property transferred electronically; or
 4. Services included in KRS 139.200;
- for a consideration.
- (b) "Purchase" includes:
1. When performed outside this state or when the customer gives a resale certificate, the producing, fabricating, processing, printing, or imprinting of tangible personal property for a consideration

for consumers who furnish either directly or indirectly the materials used in the producing, fabricating, processing, printing, or imprinting;

2. A transaction whereby the possession of tangible personal property or digital property is transferred but the seller retains the title as security for the payment of the price; and
 3. A transfer for a consideration of the title or possession of tangible personal property or digital property which has been produced, fabricated, or printed to the special order of the customer, or of any publication;
- ~~(37)~~~~(36)~~ "Recycled materials" means materials which have been recovered or diverted from the solid waste stream and reused or returned to use in the form of raw materials or products;
- ~~(38)~~~~(37)~~ "Recycling purposes" means those activities undertaken in which materials that would otherwise become solid waste are collected, separated, or processed in order to be reused or returned to use in the form of raw materials or products;
- ~~(39)~~~~(38)~~ "Remote retailer" means a retailer with no physical presence in this state;
- ~~(40)~~~~(39)~~ (a) "Repair, replacement, or spare parts" means any tangible personal property used to maintain, restore, mend, or repair machinery or equipment.
- (b) "Repair, replacement, or spare parts" does not include machine oils, grease, or industrial tools;
- ~~(41)~~~~(40)~~ (a) "Retailer" means:
1. Every person engaged in the business of making retail sales of tangible personal property, digital property, or furnishing any services in a retail sale included in KRS 139.200;
 2. Every person engaged in the business of making sales at auction of tangible personal property or digital property owned by the person or others for storage, use or other consumption, except as provided in paragraph (c) of this subsection;
 3. Every person making more than two (2) retail sales of tangible personal property, digital property, or services included in KRS 139.200 during any twelve (12) month period, including sales made in the capacity of assignee for the benefit of creditors, or receiver or trustee in bankruptcy;
 4. Any person conducting a race meeting under the provision of KRS Chapter 230, with respect to horses which are claimed during the meeting.
- (b) When the department determines that it is necessary for the efficient administration of this chapter to regard any salesmen, representatives, peddlers, or canvassers as the agents of the dealers, distributors, supervisors or employers under whom they operate or from whom they obtain the tangible personal property, digital property, or services sold by them, irrespective of whether they are making sales on their own behalf or on behalf of the dealers, distributors, supervisors or employers, the department may so regard them and may regard the dealers, distributors, supervisors or employers as retailers for purposes of this chapter.
- (c) 1. Any person making sales at a charitable auction for a qualifying entity shall not be a retailer for purposes of the sales made at the charitable auction if:
- a. The qualifying entity, not the person making sales at the auction, is sponsoring the auction;
 - b. The purchaser of tangible personal property at the auction directly pays the qualifying entity sponsoring the auction for the property and not the person making the sales at the auction; and
 - c. The qualifying entity, not the person making sales at the auction, is responsible for the collection, control, and disbursement of the auction proceeds.
2. If the conditions set forth in subparagraph 1. of this paragraph are met, the qualifying entity sponsoring the auction shall be the retailer for purposes of the sales made at the charitable auction.
 3. For purposes of this paragraph, "qualifying entity" means a resident:

- a. Church;
 - b. School;
 - c. Civic club; or
 - d. Any other nonprofit charitable, religious, or educational organization;
- (42)~~((41))~~ "Retail sale" means any sale, lease, or rental for any purpose other than resale, sublease, or subrent;
- (43)~~((42))~~ (a) "Ringtones" means digitized sound files that are downloaded onto a device and that may be used to alert the customer with respect to a communication.
- (b) "Ringtones" ~~shall~~ *does* not include ringback tones or other digital files that are not stored on the purchaser's communications device;
- (44)~~((43))~~ (a) "Sale" means:
- 1. The furnishing of any services included in KRS 139.200; *or*
 - 2. Any transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise, in any manner or by any means whatsoever, of:
 - a. Tangible personal property; or
 - b. Digital property transferred electronically;
 for a consideration.
 - (b) "Sale" includes but is not limited to:
 - 1. The producing, fabricating, processing, printing, or imprinting of tangible personal property or digital property for a consideration for purchasers who furnish, either directly or indirectly, the materials used in the producing, fabricating, processing, printing, or imprinting;
 - 2. A transaction whereby the possession of tangible personal property or digital property is transferred, but the seller retains the title as security for the payment of the price; and
 - 3. A transfer for a consideration of the title or possession of tangible personal property or digital property which has been produced, fabricated, or printed to the special order of the purchaser.
 - (c) This definition shall apply regardless of the classification of a transaction under generally accepted accounting principles, the Internal Revenue Code, or other provisions of federal, state, or local law;
- (45)~~((44))~~ "Seller" includes every person engaged in the business of selling tangible personal property, digital property, or services of a kind, the gross receipts from the retail sale of which are required to be included in the measure of the sales tax, and every person engaged in making sales for resale;
- (46)~~((45))~~ (a) "Storage" includes any keeping or retention in this state for any purpose except sale in the regular course of business or subsequent use solely outside this state of tangible personal property, digital property, or prewritten computer software access services purchased from a retailer.
- (b) "Storage" does not include the keeping, retaining, or exercising any right or power over tangible personal property for the purpose of subsequently transporting it outside the state for use thereafter solely outside the state, or for the purpose of being processed, fabricated, or manufactured into, attached to, or incorporated into, other tangible personal property to be transported outside the state and thereafter used solely outside the state;
- (47)~~((46))~~ "Tangible personal property" means personal property which may be seen, weighed, measured, felt, or touched, or which is in any other manner perceptible to the senses and includes natural, artificial, and mixed gas, electricity, water, steam, and prewritten computer software;
- (48)~~((47))~~ "Taxpayer" means any person liable for tax under this chapter;
- (49)~~((48))~~ "Telemarketing services" means services provided via telephone, facsimile, electronic mail, text messages, or other modes of communications to another person, which are unsolicited by that person, for the purposes of:
- (a) 1. Promoting products or services;
 - 2. Taking orders; or

3. Providing information or assistance regarding the products or services; or
- (b) Soliciting contributions;
- ~~(50)~~~~(49)~~ "Transferred electronically" means accessed or obtained by the purchaser by means other than tangible storage media; and
- ~~(51)~~~~(50)~~ (a) "Use" includes the exercise of:
 1. Any right or power over tangible personal property or digital property incident to the ownership of that property, or by any transaction in which possession is given, or by any transaction involving digital property or tangible personal property where the right of access is granted; or
 2. Any right or power to benefit from any services subject to tax under KRS 139.200(2)(p) to ~~(ay)~~~~(ax)~~.
- (b) "Use" does not include the keeping, retaining, or exercising any right or power over:
 1. Tangible personal property or digital property for the purpose of:
 - a. Selling tangible personal property or digital property in the regular course of business; or
 - b. Subsequently transporting tangible personal property outside the state for use thereafter solely outside the state, or for the purpose of being processed, fabricated, or manufactured into, attached to, or incorporated into, other tangible personal property to be transported outside the state and thereafter used solely outside the state; or
 2. Prewritten computer software access services *and data brokering services* purchased for use outside the state and transferred electronically outside the state for use thereafter solely outside the state.

➔Section 12. KRS 139.200 is amended to read as follows:

A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross receipts derived from:

- (1) Retail sales of:
 - (a) Tangible personal property, regardless of the method of delivery, made within this Commonwealth; and
 - (b) Digital property regardless of whether:
 1. The purchaser has the right to permanently use the property;
 2. The purchaser's right to access or retain the property is not permanent; or
 3. The purchaser's right of use is conditioned upon continued payment; and
- (2) The furnishing of the following services:
 - (a) The rental of any room or rooms, lodgings, campsites, or accommodations furnished by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds, recreational vehicle parks, or any other place in which rooms, lodgings, campsites, or accommodations are regularly furnished to transients for a consideration. The tax shall not apply to rooms, lodgings, campsites, or accommodations supplied for a continuous period of thirty (30) days or more to a person;
 - (b) Sewer services;
 - (c) The sale of admissions, except:
 1. Admissions to enter the grounds or enclosure of any track licensed under KRS Chapter 230 at which live horse racing or historical horse racing is being conducted under the jurisdiction of the Kentucky Horse Racing and Gaming Corporation;
 2. Admissions taxed under KRS 229.031;
 3. Admissions that are charged by nonprofit educational, charitable, or religious institutions and for which an exemption is provided under KRS 139.495; and
 4. Admissions that are charged by nonprofit civic, governmental, or other nonprofit organizations and for which an exemption is provided under KRS 139.498;

- (d) Prepaid calling service and prepaid wireless calling service;
- (e) Intrastate, interstate, and international communications services as defined in KRS 139.195, **including**~~except~~ the furnishing of pay telephone service as defined in KRS 139.195;
- (f) Distribution, transmission, or transportation services for natural gas that is for storage, use, or other consumption in this state, excluding those services furnished:
 - 1. For natural gas that is classified as residential use as provided in KRS 139.470(7); or
 - 2. To a seller or reseller of natural gas;
- (g) Landscaping services, including but not limited to:
 - 1. Lawn care and maintenance services;
 - 2. Tree trimming, pruning, or removal services;
 - 3. Landscape design and installation services;
 - 4. Landscape care and maintenance services; and
 - 5. Snow plowing or removal services;
- (h) Janitorial services, including but not limited to residential and commercial cleaning services, and carpet, upholstery, and window cleaning services;
- (i) Small animal veterinary services, excluding veterinary services for equine, cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds, **buffaloes**~~buffalo~~, and cervids;
- (j) Pet care services, including but not limited to grooming and boarding services, pet sitting services, and pet obedience training services;
- (k) Industrial laundry services, including but not limited to industrial uniform supply services, protective apparel supply services, and industrial mat and rug supply services;
- (l) Non-coin-operated laundry and dry cleaning services;
- (m) Linen supply services, including but not limited to table and bed linen supply services and nonindustrial uniform supply services;
- (n) Indoor skin tanning services, including but not limited to tanning booth or tanning bed services and spray tanning services;
- (o) Non-medical diet and weight reducing services;
- (p) Extended warranty services;
- (q) Photography and photofinishing services;
- (r) Telemarketing services;
- (s) Public opinion and research polling services;
- (t) Lobbying services;
- (u) Executive employee recruitment services;
- (v) Website design and development services;
- (w) Website hosting services;
- (x) Facsimile transmission services;
- (y) Private mailroom services, including:
 - 1. Presorting mail and packages by postal code;
 - 2. Address barcoding;
 - 3. Tracking;
 - 4. Delivery to postal service; and
 - 5. Private mailbox rentals;

- (z) Bodyguard services;
- (aa) Residential and nonresidential security system monitoring services, excluding separately stated onsite security guard services;
- (ab) Private investigation services;
- (ac) Process server services;
- (ad) Repossession of tangible personal property services;
- (ae) Personal background check services;
- (af) Parking services;
 - 1. Including:
 - a. Valet services; and
 - b. The use of parking lots and parking structures; but
 - 2. Excluding any parking services at an educational institution;
- (ag) Road and travel services provided by automobile clubs as defined in KRS 281.010;
- (ah) Condominium time-share exchange services;
- (ai) Rental of space for meetings, conventions, short-term business uses, entertainment events, weddings, banquets, parties, and other short-term social events;
- (aj) Social event planning and coordination services;
- (ak) Leisure, recreational, and athletic instructional services;
- (al) Recreational camp tuition and fees;
- (am) Personal fitness training services;
- (an) Massage services, except when medically necessary;
- (ao) Cosmetic surgery services;
- (ap) Body modification services, including tattooing, piercing, scarification, branding, tongue splitting, transdermal and subdermal implants, ear pointing, teeth pointing, and any other modifications that are not necessary for medical or dental health;
- (aq) Laboratory testing services, excluding laboratory testing:
 - 1. For medical, educational, or veterinary reasons; or
 - 2. Required by a federal, state, or local statute, regulation, court order, or other government-related requirement;
- (ar) Interior decorating and design services;
- (as) Household moving services;
- (at) Specialized design services, including the design of clothing, costumes, fashion, furs, jewelry, shoes, textiles, and lighting;
- (au) Lapidary services, including cutting, polishing, and engraving precious stones;
- (av) Labor and services to repair or maintain commercial refrigeration equipment and systems when no tangible personal property is sold in that transaction including service calls and trip charges;
- (aw) Labor to repair or alter apparel, footwear, watches, or jewelry when no tangible personal property is sold in that transaction;~~and~~
- (ax) Prewritten computer software access services; **and**
- (ay) **Data brokering services.**

➔Section 13. KRS 139.202 is amended to read as follows:

- (1) Excluded from the additional taxable services imposed by KRS 139.200(2)(q) to (ax) are gross receipts derived from:
- (a)~~(1)~~ Sales of the services in fulfillment of a lump-sum, fixed-fee contract or a fixed price sales contract executed on or before February 25, 2022; and
- (b)~~(2)~~ A lease or rental agreement entered into on or before February 25, 2022.
- (2) *Excluded from the additional taxable services imposed by subsection (2)(ay) of Section 12 of this Act are gross receipts derived from:*
- (a) *Sales of the services in fulfillment of a lump-sum, fixed-fee contract or a fixed price sales contract executed on or before February 25, 2026; and*
- (b) *A lease or rental agreement entered into on or before February 25, 2026.*

➔Section 14. KRS 139.260 is amended to read as follows:

For the purpose of the proper administration of this chapter and to prevent evasion of the duty to collect the taxes imposed by KRS 139.200 and 139.310, it shall be presumed that all gross receipts and all tangible personal property, digital property, and services sold by any person for delivery or access in this state are subject to the tax until the contrary is established. The burden of proving the contrary is upon the person who makes the sale of:

- (1) (a) Except as provided in paragraph (b) of this subsection, tangible personal property or digital property unless the person takes from the purchaser a certificate to the effect that the property is either:
1. Purchased for resale according to the provisions of KRS 139.270;
 2. Purchased through a fully completed certificate of exemption or fully completed Streamlined Sales and Use Tax Agreement Certificate of Exemption in accordance with KRS 139.270; or
 3. Purchased according to administrative regulations promulgated by the department governing a direct pay authorization; or
- (b) Tangible personal property to a purchaser claiming an agriculture exemption under KRS 139.480(4) to (9), (11), (13) to (15), **(22) to (29), or (32)**~~(23) to (30), or (33)~~ unless the person obtains from the purchaser an agriculture exemption license number or a fully completed Streamlined Sales and Use Tax Agreement Certificate of Exemption that contains an agriculture exemption license number in accordance with KRS 139.270;
- (2) A service included in KRS 139.200(2)(a) to (f) unless the person takes from the purchaser a certificate to the effect that the service is purchased through a fully completed certificate of exemption or fully completed Streamlined Sales and Use Tax Agreement Certificate of Exemption in accordance with KRS 139.270; and
- (3) A service included in KRS 139.200(2)(g) to **(ay)**~~(ax)~~ unless the person takes from the purchaser a certificate to the effect that the service is:
- (a) Purchased for resale according to KRS 139.270;
 - (b) Purchased through a fully completed certificate of exemption or fully completed Streamlined Sales and Use Tax Agreement Certificate of Exemption in accordance with KRS 139.270; or
 - (c) Purchased according to administrative regulations promulgated by the department governing a direct pay authorization.

➔Section 15. KRS 139.310 is amended to read as follows:

- (1) An excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property, digital property, and services listed under KRS 139.200(2)(p) to **(ay)**~~(ax)~~ purchased for storage, use, or other consumption in this state at the rate of six percent (6%) of the sales price.
- (2) The excise tax applies to the purchase of digital property regardless of whether:
- (a) The purchaser has the right to permanently use the goods;
 - (b) The purchaser's right to access or retain the digital property is not permanent; or
 - (c) The purchaser's right of use is conditioned upon continued payment.

➔Section 16. KRS 139.340 is amended to read as follows:

- (1) Except as provided in KRS 139.470 and 139.480, every retailer engaged in business in this state shall collect the tax imposed by KRS 139.310 from the purchaser and give to the purchaser a receipt therefor in the manner and form prescribed by the department. The taxes collected or required to be collected by the retailer under this section shall be deemed to be held in trust for and on account of the Commonwealth.
- (2) "Retailer engaged in business in this state" as used in KRS 139.330 and this section includes any of the following:
- (a) Any retailer maintaining, occupying, or using, permanently or temporarily, directly or indirectly, or through a subsidiary or any other related entity, representative, or agent, by whatever name called, an office, place of distribution, sales or sample room or place, warehouse or storage place, or other place of business. Property owned by a person who has contracted with a printer for printing, which consists of the final printed product, property which becomes a part of the final printed product, or copy from which the printed product is produced, and which is located at the premises of the printer, shall not be deemed to be an office, place of distribution, sales or sample room or place, warehouse or storage place, or other place of business maintained, occupied, or used by the person;
 - (b) Any retailer having any representative, agent, salesman, canvasser, or solicitor operating in this state under the authority of the retailer or its subsidiary for the purpose of selling, delivering, or the taking of orders for any tangible personal property, digital property, or any services subject to tax under KRS 139.200(2)(p) to ~~(ay)~~~~(ax)~~. An unrelated printer with which a person has contracted for printing shall not be deemed to be a representative, agent, salesman, canvasser, or solicitor for the person;
 - (c) Any retailer soliciting orders for tangible personal property, digital property, or any services subject to tax under KRS 139.200(2)(p) to ~~(ay)~~~~(ax)~~ from residents of this state on a continuous, regular, or systematic basis in which the solicitation of the order, placement of the order by the customer or the payment for the order utilizes the services of any financial institution, telecommunication system, radio or television station, cable television service, print media, or other facility or service located in this state;
 - (d) Any retailer deriving receipts from the lease or rental of tangible personal property situated in this state;
 - (e) Any retailer soliciting orders for tangible personal property, digital property, or any services subject to tax under KRS 139.200(2)(p) to ~~(ay)~~~~(ax)~~ from residents of this state on a continuous, regular, systematic basis if the retailer benefits from an agent or representative operating in this state under the authority of the retailer to repair or service tangible personal property or digital property sold by the retailer;
 - (f) Any retailer located outside Kentucky that uses a representative in Kentucky, either full-time or part-time, if the representative performs any activities that help establish or maintain a marketplace for the retailer, including receiving or exchanging returned merchandise; or
 - (g) 1. Any remote retailer selling tangible personal property, ~~or~~ digital property, **or services** delivered, ~~or~~ transferred electronically, **or provided** to a purchaser in this state, including retail sales facilitated by a marketplace provider on behalf of the remote retailer ~~if~~ ~~if~~:
 - a. ~~The remote retailer sold tangible personal property or digital property that was delivered or transferred electronically to a purchaser in this state in two hundred (200) or more separate transactions in the previous calendar year or the current calendar year; or~~
 - b. ~~the remote retailer's gross receipts derived from the sale of tangible personal property, ~~or~~ digital property, **or services** delivered, ~~or~~ transferred electronically, **or provided** to a purchaser in this state in the previous calendar year or current calendar year exceeds one hundred thousand dollars (\$100,000).~~
 2. Any remote retailer that meets ~~the~~~~either~~ threshold provided in subparagraph 1. of this paragraph shall register for a sales and use tax permit and collect the tax imposed by KRS 139.310 from the purchaser no later than the first day of the calendar month that is at the most sixty (60) days after ~~the~~~~either~~ threshold is reached.

➔Section 17. KRS 139.470 is amended to read as follows:

There are excluded from the computation of the amount of taxes imposed by this chapter:

- (1) Gross receipts from the sale of, and the storage, use, or other consumption in this state of, tangible personal property or digital property which this state is prohibited from taxing under the Constitution or laws of the United States, or under the Constitution of this state;
- (2) Gross receipts from sales of, and the storage, use, or other consumption in this state of:
 - (a) Nonreturnable and returnable containers when sold without the contents to persons who place the contents in the container and sell the contents together with the container; and
 - (b) Returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling;

As used in this ~~subsection~~^{section} the term "returnable containers" means containers of a kind customarily returned by the buyer of the contents for reuse. All other containers are "nonreturnable containers";

- (3) Gross receipts from occasional sales of tangible personal property or digital property and the storage, use, or other consumption in this state of tangible personal property or digital property, the transfer of which to the purchaser is an occasional sale;
- (4) Gross receipts from sales of tangible personal property to a common carrier, shipped by the retailer via the purchasing carrier under a bill of lading, whether the freight is paid in advance or the shipment is made freight charges collect, to a point outside this state and the property is actually transported to the out-of-state destination for use by the carrier in the conduct of its business as a common carrier;
- (5) Gross receipts from sales of tangible personal property sold through coin-operated bulk vending machines, if the sale amounts to fifty cents (\$0.50) or less, if the retailer is primarily engaged in making the sales and maintains records satisfactory to the department. As used in this subsection, "bulk vending machine" means a vending machine containing unsorted merchandise which, upon insertion of a coin, dispenses the same in approximately equal portions, at random and without selection by the customer;
- (6) Gross receipts from sales:
 - (a) To any cabinet, department, bureau, commission, board, or other statutory or constitutional agency of the state and gross receipts from sales to counties, cities, or special districts as defined in KRS 65.005. This exemption shall apply only to purchases of tangible personal property, digital property, or services for use solely in the government function. A purchaser not qualifying as a governmental agency or unit shall not be entitled to the exemption even though the purchaser may be the recipient of public funds or grants; *and*
 - (b) *Of data brokering services by:*
 - 1. *Any cabinet, department, bureau, commission, board, or other statutory or constitutional agency of this state; or*
 - 2. *Counties, cities, or special districts as defined in KRS 65.005;*
- (7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky residents for use in heating, water heating, cooking, lighting, and other residential uses if the sewer services, water, and fuel are purchased and declared by the resident as used in his or her place of domicile.
 - (b) As used in this subsection:
 - 1. "Fuel" *includes but is not* ~~(shall include but not be)~~ limited to natural gas, electricity, fuel oil, bottled gas, coal, coke, and wood; and
 - 2. "Place of domicile" means the place where an individual has his or her legal, true, fixed, and permanent home and principal establishment, and to which, whenever the individual is absent, the individual has the intention of returning.
 - (c) Determinations of eligibility for the exemption shall be made by the department.
 - (d) The exemption shall apply to charges for sewer service, water, and fuel billed to an owner or operator of a multi-unit residential rental facility or mobile home and recreational vehicle park if the owner or operator declares that the sewer services, water, and fuel are purchased for Kentucky residents to be used in the resident's place of domicile.
 - (e) The exemption shall apply also to residential property which may be held by legal or equitable title, by the entireties, jointly, in common, as a condominium, or indirectly by the stock ownership or

membership representing the owner's or member's proprietary interest in a corporation owning a fee or a leasehold initially in excess of ninety-eight (98) years if the sewer services, water, and fuel are purchased for and declared by the Kentucky resident as used in his or her place of domicile;

- (8) Gross receipts from sales to an out-of-state agency, organization, or institution exempt from sales and use tax in its state of residence when that agency, organization, or institution gives proof of its tax-exempt status to the retailer and the retailer maintains a file of the proof;
 - (9) (a) Gross receipts derived from the sale of tangible personal property, as provided in paragraph (b) of this subsection, to a manufacturer or industrial processor if the property is to be directly used in the manufacturing or industrial processing process of:
 1. Tangible personal property at a plant facility;
 2. Distilled spirits or wine at a plant facility or on the premises of a distiller, rectifier, winery, or small farm winery licensed under KRS 243.030 that includes a retail establishment on the premises; or
 3. Malt beverages at a plant facility or on the premises of a brewer or microbrewery licensed under KRS 243.040 that includes a retail establishment;and which will be for sale.
 - (b) The following tangible personal property shall qualify for exemption under this subsection:
 1. Materials which enter into and become an ingredient or component part of the manufactured product;
 2. Other tangible personal property which is directly used in the manufacturing or industrial processing process, if the property has a useful life of less than one (1) year. Specifically, these items are categorized as follows:
 - a. Materials. This refers to the raw materials which become an ingredient or component part of supplies or industrial tools exempt under subdivisions b. and c. below;
 - b. Supplies. This category includes supplies such as lubricating and compounding oils, grease, machine waste, abrasives, chemicals, solvents, fluxes, anodes, filtering materials, fire brick, catalysts, dyes, refrigerants, and explosives. The supplies indicated above need not come in direct contact with a manufactured product to be exempt. "Supplies" does not include repair, replacement, or spare parts of any kind; and
 - c. Industrial tools. This group is limited to hand tools such as jigs, dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns and to tools attached to a machine such as molds, grinding balls, grinding wheels, dies, bits, and cutting blades. Normally, for industrial tools to be considered directly used in the manufacturing or industrial processing process, they shall come into direct contact with the product being manufactured or processed; and
 3. Materials and supplies that are not reusable in the same manufacturing or industrial processing process at the completion of a single manufacturing or processing cycle. A single manufacturing cycle shall be considered to be the period elapsing from the time the raw materials enter into the manufacturing process until the finished product emerges at the end of the manufacturing process.
 - (c) The property described in paragraph (b) of this subsection shall be regarded as having been purchased for resale.
 - (d) For purposes of this subsection, a manufacturer or industrial processor includes an individual or business entity that performs only part of the manufacturing or industrial processing activity, and the person or business entity need not take title to tangible personal property that is incorporated into, or becomes the product of, the activity.
 - (e) The exemption provided in this subsection does not include repair, replacement, or spare parts;
- (10) Any water use fee paid or passed through to the Kentucky River Authority by facilities using water from the Kentucky River basin to the Kentucky River Authority in accordance with KRS 151.700 to 151.730 and administrative regulations promulgated by the authority;

- (11) (a) 1. Gross receipts from the sale of newspaper inserts or catalogs purchased for storage, use, or other consumption outside this state and delivered by the retailer's own vehicle to a location outside this state, or delivered to the United States Postal Service, a common carrier, or a contract carrier for delivery outside this state, regardless of whether the carrier is selected by the purchaser or retailer or an agent or representative of the purchaser or retailer, or whether the F.O.B. is retailer's shipping point or purchaser's destination.
2. ~~(a)~~ As used in this *paragraph*~~{subsection}~~:
- a. ~~1.~~ "Catalogs" means tangible personal property that is printed to the special order of the purchaser and composed substantially of information regarding goods and services offered for sale; and
- b. ~~2.~~ "Newspaper inserts" means printed materials that are placed in or distributed with a newspaper of general circulation.
- (b) The retailer shall be responsible for establishing that delivery was made to a non-Kentucky location through shipping documents or other credible evidence as determined by the department;
- (12) Gross receipts from the sale of water used in the raising of equine as a business;
- (13) (a) 1. Gross receipts from the sale of metal retail fixtures manufactured in this state and purchased for storage, use, or other consumption outside this state and delivered by the retailer's own vehicle to a location outside this state, or delivered to the United States Postal Service, a common carrier, or a contract carrier for delivery outside this state, regardless of whether the carrier is selected by the purchaser or retailer or an agent or representative of the purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or the purchaser's destination.
2. ~~(a)~~ As used in this *paragraph*~~{subsection}~~, "metal retail fixtures" means check stands and belted and nonbelted checkout counters, whether made in bulk or pursuant to specific purchaser specifications, that are to be used directly by the purchaser or to be distributed by the purchaser.
- (b) The retailer shall be responsible for establishing that delivery was made to a non-Kentucky location through shipping documents or other credible evidence as determined by the department;
- (14) Gross receipts from the sale of unenriched or enriched uranium purchased for ultimate storage, use, or other consumption outside this state and delivered to a common carrier in this state for delivery outside this state, regardless of whether the carrier is selected by the purchaser or retailer, or is an agent or representative of the purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or purchaser's destination;
- (15) Amounts received from a tobacco buydown. As used in this subsection, "buydown" means an agreement whereby an amount, whether paid in money, credit, or otherwise, is received by a retailer from a manufacturer or wholesaler based upon the quantity and unit price of tobacco products sold at retail that requires the retailer to reduce the selling price of the product to the purchaser without the use of a manufacturer's or wholesaler's coupon or redemption certificate;
- (16) Gross receipts from the sale of tangible personal property or digital property returned by a purchaser when the full sales price is refunded either in cash or credit. This exclusion shall not apply if the purchaser, in order to obtain the refund, is required to purchase other tangible personal property or digital property at a price greater than the amount charged for the property that is returned;
- (17) Gross receipts from the sales of gasoline and special fuels subject to tax under KRS Chapter 138;
- (18) The amount of any tax imposed by the United States upon or with respect to retail sales, whether imposed on the retailer or the consumer, not including any manufacturer's excise or import duty;
- (19) Gross receipts from the sale of any motor vehicle as defined in KRS 138.450 which is:
- (a) Sold to a Kentucky resident, registered for use on the public highways, and upon which any applicable tax levied by KRS 138.460 has been paid; or
- (b) Sold to a nonresident of Kentucky if the nonresident registers the motor vehicle in a state that:
1. Allows residents of Kentucky to purchase motor vehicles without payment of that state's sales tax at the time of sale; or
 2. Allows residents of Kentucky to remove the vehicle from that state within a specific period for subsequent registration and use in Kentucky without payment of that state's sales tax;

- (20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and trailer as defined in KRS 189.010(17);
- (21) Gross receipts from the collection of:
- (a) Any fee or charge levied by a local government pursuant to KRS 65.760;
 - (b) The charge imposed by KRS 65.7629(3);
 - (c) The fee imposed by KRS 65.7634; and
 - (d) The service charge imposed by KRS 65.7636;
- (22) Gross receipts derived from charges for labor or services to apply, install, repair, or maintain tangible personal property directly used in manufacturing or industrial processing process of:
- (a) Tangible personal property at a plant facility;
 - (b) Distilled spirits or wine at a plant facility or on the premises of a distiller, rectifier, winery, or small farm winery licensed under KRS 243.030; or
 - (c) Malt beverages at a plant facility or on the premises of a brewer or microbrewery licensed under KRS 243.040;

that is not otherwise exempt under subsection (9) of this section or KRS 139.480(10), if the charges for labor or services are separately stated on the invoice, bill of sale, or similar document given to purchaser;

- (23) (a) For persons selling services included in KRS 139.200(2)(g) to (ax) prior to January 1, 2025, gross receipts derived from the sale of those services if the gross receipts were less than twelve thousand dollars (\$12,000) during calendar year 2024. When gross receipts from these services exceed twelve thousand dollars (\$12,000) in a calendar year:
1. All gross receipts over twelve thousand dollars (\$12,000) are taxable in that calendar year; and
 2. All gross receipts are subject to tax in subsequent calendar years.
- (b) The exemption provided in this subsection shall not apply to a person also engaged in the business of selling tangible personal property, digital property, or services included in KRS 139.200(2)(a) to (f); and
- (24) (a) For persons that first begin making sales of services included in KRS 139.200(2)(g) to (ax) on or after January 1, 2025, gross receipts derived from the sale of those services if the gross receipts are less than twelve thousand dollars (\$12,000) within the first calendar year of operation. When gross receipts from these services exceed twelve thousand dollars (\$12,000) in a calendar year:
1. All gross receipts over twelve thousand dollars (\$12,000) are taxable in that calendar year; and
 2. All gross receipts are subject to tax in subsequent calendar years.
- (b) The exemption provided in this subsection shall not apply to a person that is also engaged in the business of selling tangible personal property, digital property, or services included in KRS 139.200(2)(a) to (f).

➔Section 18. KRS 224.50-868 is amended to read as follows:

- (1) As used in this section:
- (a) "Motor vehicle" means every vehicle intended primarily for use and operation on the public highways that is self-propelled, including a low-speed motor vehicle as defined in KRS 186.010;
 - (b) "Semitrailer" means any vehicle:
 1. Designed:
 - a. As temporary living quarters for recreation, camping, or travel; or
 - b. For carrying persons or property;
 2. Designed for being drawn by a motor vehicle; and
 3. Constructed that:

- a. Some part of its weight; or
 - b. Some part of its load;
- rests upon or is carried by another vehicle; and
- (c) "Trailer" means any vehicle:
 - 1. Designed:
 - a. As temporary living quarters for recreation, camping, or travel; or
 - b. For carrying persons or property;
 - 2. Designed for being drawn by a motor vehicle; and
 - 3. Constructed that:
 - a. No part of its weight; and
 - b. No part of its load;
- rests upon or is carried by another vehicle.
- (2) (a) 1. Prior to July 1, 2018, a person purchasing a new motor vehicle tire in Kentucky shall pay to the retailer a one dollar (\$1) fee at the time of the purchase of that tire. The fee shall not be subject to the Kentucky sales tax.
- 2. Beginning July 1, 2018, but prior to July 1, 2020, a fee is hereby imposed upon a retailer at the rate of two dollars (\$2) for each new motor vehicle tire sold in Kentucky. The fee shall be subject to the Kentucky sales tax.
- 3. Beginning July 1, 2020, but prior to July 1, ~~2034~~~~2026~~, a fee is hereby imposed upon a retailer at the rate of two dollars (\$2) for each new motor vehicle, trailer, or semitrailer tire sold in Kentucky. The fee shall be subject to the Kentucky sales tax.
- 4. A retailer may pass the fee imposed by this paragraph on to the purchaser of the new tire.
- (b) 1. A new tire is a tire that has never been placed on a motor vehicle, trailer, or semitrailer wheel rim.
- 2. A new tire is not a tire placed on a motor vehicle, trailer, or semitrailer prior to its original retail sale or a recapped tire.
- (3) When a retailer sells a new motor vehicle tire in Kentucky to replace another tire, the tire that is replaced becomes a waste tire subject to the waste tire program. The retailer shall encourage the purchaser of the new tire to leave the waste tire with the retailer or meet the following requirements:
 - (a) Dispose of the waste tire in accordance with KRS 224.50-856(1);
 - (b) Deliver the waste tire to a person registered in accordance with the waste tire program; or
 - (c) Reuse the waste tire for its original intended purpose or an agricultural purpose.
- (4) (a) A retailer shall report to the Department of Revenue on or before the twentieth day of each month the number of new motor vehicle tires sold during the preceding month and the number of waste tires received from customers that month.
- (b) The report shall be filed on forms and contain information as the Department of Revenue may require.
- (c) The retailer shall be allowed to retain an amount equal to five percent (5%) of the fees due, provided the amount due is not delinquent at the time of payment.
- (5) A retailer shall:
 - (a) Accept from the purchaser of a new tire, if offered, for each new motor vehicle tire sold, a waste tire of similar size and type; and
 - (b) Post notice at the place where retail sales are made that state law requires:
 - 1. The retailer to accept, if offered, a waste tire for each new motor vehicle tire sold and that a person purchasing a new motor vehicle tire to replace another tire shall comply with subsection (3) of this section; and

2. The two dollar (\$2) new tire fee is used by the state to oversee the management of waste tires, including cleaning up abandoned waste tire piles and preventing illegal dumping of waste tires.
- (6) A retailer shall comply with the requirements of the recordkeeping system for waste tires established by KRS 224.50-874.
- (7) A retailer shall transfer waste tires only to a person who presents a letter from the cabinet approving the registration issued under KRS 224.50-858 or a copy of a solid waste disposal facility permit issued by the cabinet, unless the retailer is delivering the waste tires to a destination outside Kentucky and the waste tires will remain in the retailer's possession until they reach that destination.
- (8) The cabinet shall, in conjunction with the Waste Tire Working Group, develop the informational fact sheet to be made publicly available on the cabinet's website and available in print upon request. The fact sheet shall identify ways to properly dispose of the waste tire and present information on the problems caused by improper waste tire disposal.

➔Section 19. KRS 224.50-872 is amended to read as follows:

- (1) The cabinet shall report to the General Assembly no later than January 15 each year on the effectiveness of the waste tire program in developing markets for waste tires, the amount of revenue generated and the effectiveness of the fee established in KRS 224.50-868 in funding the cabinet's implementation of the waste tire program, to include any waste tire amnesty program established by the cabinet as provided for in KRS 224.50-880(1)(b), whether the fee should be extended, comparative data on the number of waste tires generated each year, the number disposed of, the number of orphan tire piles, and the cost of tire disposal by counties in the Commonwealth.
- (2) ***The cabinet shall gather the following information related to the waste tire trust fund in KRS 224.50-880 and submit an annual report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue by November 1, 2026, and by each November 1 thereafter as long as the new tire fee established in Section 18 of this Act is collected:***
 - (a) ***Total receipts deposited into the fund from the new tire fee during the preceding fiscal year;***
 - (b) ***A detailed accounting of the activities supported by fund moneys, including the amount spent on each activity;***
 - (c) ***A detailed accounting of all administrative expenses;***
 - (d) ***Identification of any unexpended funds and the reason why the funds were not expended;***
 - (e) ***An explanation of how all expenditures align with program objectives;***
 - (f) ***A list of recipients receiving money from the fund with a detailed accounting of the amount of money received by each recipient and the use of the moneys; and***
 - (g) ***A compilation of the information required to be reported to the cabinet under KRS 224.50-878(4).***

➔Section 20. KRS 45.760 is amended to read as follows:

The provisions of any other law notwithstanding:

- (1) During any biennium the amount allotted, from all sources, for expenditure on any project in the State Capital Construction Program for that biennium shall not exceed the estimated cost of the project during that biennium, as shown in any branch budget bill enacted by the General Assembly, except as provided in this section and KRS 45.770 and 45.780;{+}
- (2) When the General Assembly disapproves a capital project or item of equipment that was previously approved, it shall be eliminated as a capital project or major item of equipment in the Capital Projects Program. General fund moneys appropriated for that project or item of equipment but not allotted, and general fund moneys allotted but not expended to the project or equipment account, shall be transferred to the capital construction and equipment purchase contingency account in the capital construction fund. Agency or federal funds for a disapproved project or item, that have been appropriated but unallotted or allotted but unexpended, shall be returned to the appropriate agency fund. Road fund moneys for a disapproved project or item that have been appropriated but unallotted or allotted but unexpended, shall be returned to the Road Fund Surplus Account;{+}
- (3) Capital projects and major items of equipment disapproved under subsection (2) of this section shall be terminated;{+}

- (4) During any biennium, the amount allotted from all sources for expenditure for the purchase of any major item of equipment shall not exceed the estimated cost of the item as shown in any branch budget bill enacted by the General Assembly and authorizing the purchase, except as provided in subsections (5) and (6) of this section and in KRS 45.770 and 45.780;~~+~~
- (5) A major item of equipment to be used for medical, scientific, or research purposes, excluding computer equipment and aircraft, may be authorized even though it is not specifically listed in any branch budget bill enacted for the current biennium, subject to the following conditions and procedures:
- (a) Moneys specifically budgeted and appropriated by the General Assembly for another purpose shall not be reallocated for expenditure on the item; moneys utilized shall not jeopardize any existing program and shall not require the use of any current general funds specifically dedicated to existing programs;
 - (b) Funds are available for the purchase and the method of financing the purchase will not require an additional appropriation of state funds to acquire the item; and
 - (c) The purchasing agency shall, within thirty (30) days after making the purchase, report the purchase to the Capital Projects and Bond Oversight Committee. The report shall include a description of the item, the purpose for which it will be used, the necessity for the purchase, and the amount expended for the purchase from each source of funds used;~~+~~
- (6) Moneys from any source may be transferred to the allotment account of any capital project authorized by the General Assembly under this section, subject to the following conditions and procedures:
- (a) The total amount transferred shall not exceed **five percent (5%)**~~fifteen percent (15%)~~ of the amount authorized by the General Assembly unless:
 1. The source of funds is private or federal; or
 2. An unforeseen decision by a federal or state court or regulatory agency requires the transfer;~~+~~
 - (b) Moneys specifically budgeted and appropriated by the General Assembly for another purpose shall not be allotted or reallocated for expenditure on the capital project;~~+~~
 - (c) Moneys utilized shall not jeopardize any existing program and shall not require the use of any current general funds specifically dedicated to existing programs;~~+~~
 - (d) The relevant entity head, or his *or her* designee, shall submit the capital project to the Capital Projects and Bond Oversight Committee at least fourteen (14) days prior to the committee meeting. The submission shall include a written certification to the committee that the transfer, in excess of **five percent (5%)**~~fifteen percent (15%)~~ of the amount authorized by the General Assembly, is:
 1. Paid for out of private or federal funds; or
 2. Required by an unforeseen decision by a federal or state court or regulatory agency; and
 3. Not allotted or reallocated from moneys specifically budgeted and appropriated by the General Assembly for another purpose; and
 4. Not jeopardizing any existing program and not requiring the use of any current general funds specifically dedicated to existing programs; **and**~~+~~
 - (e) If a capital project is financed with road funds, the cost overruns or scope increases shall be paid out of the highway contingency account established pursuant to KRS 45.247;~~+~~
- (7) A capital construction project or a major item of equipment may be authorized even though it is not specifically listed in any branch budget bill, subject to the following conditions and procedures:
- (a) Fifty percent (50%) or more of the actual cost shall be funded by federal or private funds, and fifty percent (50%) or less of the actual cost shall be funded by moneys appropriated to the capital construction and equipment purchase contingency account or, if the purpose of the project or equipment is to reduce energy costs, the relevant entity head certifies projected energy cost savings associated with the project or equipment are reasonable and sufficient to produce an aggregate simple payback period, as defined by KRS 56.770, of five (5) years or less;
 - (b) Moneys specifically budgeted and appropriated by the General Assembly for another purpose shall not be allotted or reallocated for expenditure on the project or major item of equipment; moneys utilized shall

not jeopardize any existing program and shall not require the use of any current general funds specifically dedicated to existing programs; and

- (c) The relevant entity head, or his *or her* designee, shall submit the project or major item of equipment to the committee for review as provided by KRS 45.800;~~+~~
- (8) The capital construction and equipment purchase contingency fund may be used to advance funds to projects authorized to be financed by bonds, to finance feasibility studies for projects which may be contemplated for future funding, or to audit the capital projects program when authorized by the General Assembly;~~+~~
- (9) On or before October 1, each branch of government shall submit to the committee the following information:
 - (a) A complete list and summary description of every capital construction project and major item of equipment not completed as of June 30 of the prior fiscal year;~~and~~
 - (b) For each project and major item of equipment, as of July 1, of the current fiscal year:
 - 1. The project phase;
 - 2. The project account number, project name, and any other term employed to identify the project or major item of equipment;
 - 3. The available balance in the project or major item of equipment account, and any sums considered available for that project or major item of equipment;
 - 4. A statement of the transfers of funds to or from the project or major item of equipment account; and, any account to which transfers from each project or major item of equipment has been made;
 - 5. The year in which the project or major item of equipment was approved, with specific reference to the legislation by which the project or item was approved;
 - 6. Total expenditure on the project or major item of equipment;
 - 7. The current estimated completion cost, including the amount required for annual inflation; and
 - 8. A statement that additional funds for the completion of the project or major item of equipment are or are not required; and, if required, why sufficient funds for completion are not available; and
 - (c) The balance in the appropriated, but unallotted account; and the balance in any account, however designated, that contains appropriated, but unallotted funds for capital construction; ~~and~~
- (10) When the General Assembly authorizes a capital construction item in the capital construction section of a branch budget bill, the entity head charged with executing the branch budget shall construct the capital construction item according to the requirements set forth in the branch budget bill, supporting documentation considered by the General Assembly, and branch budget records. The entity head shall not deviate from these requirements with regard to:
 - (a) Purpose or location to the extent that the capital construction item no longer meets the identified needs; or
 - (b) Configuration for reasons other than practical accommodation to the construction site or specific program to be accommodated within that capital construction item.

➔Section 21. KRS 45.770 is amended to read as follows:

- (1) There is created within the capital construction fund the capital construction and equipment purchase contingency account. The account shall consist of moneys appropriated to the account by the General Assembly.
- (2) Money in the capital construction and equipment purchase contingency account may be transferred to the allotment account of a capital construction project, authorized by the General Assembly under KRS 45.760, subject to the following conditions and procedures:
 - (a) Except as provided in paragraphs (b) and (c) of this subsection, during any biennium, the amount that may be transferred from the capital construction and equipment purchase contingency account to the allotment account of an authorized project shall not exceed an amount equal to **five percent (5%)**~~fifteen~~

- ~~percent (15%)~~ of the estimated cost of the project, for that biennium, approved by the General Assembly in the manner provided by KRS 45.760;~~;~~
- (b) Subject to paragraph (c) of this subsection, if the cost of an authorized project exceeds, by more than **five percent (5%)**~~fifteen percent (15%)~~, its estimated cost, as approved by the General Assembly, due to an unforeseen decision by a federal or state court or regulatory agency, moneys in excess of **five percent (5%)**~~fifteen percent (15%)~~ of the estimated cost of the project may be transferred from the capital construction and equipment purchase contingency account to the allotment account of the project; **and**~~;~~
 - (c) The Finance and Administration Cabinet shall, prior to making any transfer under this subsection, present the proposed transfer to the Capital Projects and Bond Oversight Committee, at least fourteen (14) days prior to the committee meeting, for review as provided by KRS 45.800. Presentation of a proposed transfer under paragraph (b) of this subsection shall include written certification to the committee from the commissioner of the Department for Facilities and Support Services, Finance and Administration Cabinet, that the transfer is necessitated by cost increases resulting from an unforeseen decision by a federal or state court or regulatory agency.
- (3) Money in the capital construction and equipment purchase contingency account may be transferred to the allotment account of a major item of equipment, authorized by the General Assembly under KRS 45.760, for expenditure on that item subject to the following conditions and procedures:
- (a) Except as provided in paragraphs (b) and (c) of this subsection, during any biennium, the amount that may be transferred from the capital construction and equipment purchase contingency account to the allotment account of an authorized major item of equipment shall not exceed an amount equal to **five percent (5%)**~~fifteen percent (15%)~~ of the estimated cost of the item, for that biennium, approved by the General Assembly in the manner provided by KRS 45.760;~~;~~
 - (b) If the cost of an authorized major item of equipment exceeds, by more than **five percent (5%)**~~fifteen percent (15%)~~, its estimated cost, as approved by the General Assembly, due to an unforeseen decision by a federal or state court or regulatory agency, moneys in excess of **five percent (5%)**~~fifteen percent (15%)~~ of the estimated cost may be transferred from the capital construction and equipment purchase contingency account to the allotment account of the item; **and**~~;~~
 - (c) The Finance and Administration Cabinet shall, prior to making any transfer under this subsection, present the proposed transfer to the Capital Projects and Bond Oversight Committee, at least fourteen (14) days prior to the committee meeting, for review as provided by KRS 45.800. Presentation of a proposed transfer under paragraph (b) of this subsection shall include written certification to the committee from the secretary of the Finance and Administration Cabinet that the transfer is necessitated by cost increases resulting from an unforeseen decision by a federal or state court or regulatory agency.
- (4) Money in the capital construction and equipment purchase contingency account may be transferred to a capital project account to be used for nonrecurring moving expenses of state agencies to address issues of public health and safety or governmental efficiency, subject to the following conditions and procedures:
- (a) The Finance and Administration Cabinet shall, prior to making any transfer under this subsection, present the proposed transfer to the Capital Projects and Bond Oversight Committee, at least fourteen (14) days prior to the committee meeting, for review as provided by KRS 45.800;~~;~~
 - (b) Presentation of a proposed transfer shall include written certification to the committee from the secretary of the Finance and Administration Cabinet that the moving costs are nonrecurring, and describing the specific benefits, including but not limited to fiscal and efficiency savings associated with the proposal; **and**~~;~~
 - (c) No transfer shall be used for capital improvements.
- (5) No later than thirty (30) days after a project has been accepted by the Commonwealth of Kentucky and the contracts encumbered against that project have been closed, moneys constituting the available balance in the project or equipment account shall be transferred as follows:
- (a) If the project was a line item in the budget and not funded with road funds, then the balance shall be transferred to the capital construction surplus account;~~;~~
 - (b) If the project was a line item in the budget and funded with road funds, then the balance shall be transferred to the road fund surplus account;~~;~~

- (c) If the project was completed within the biennium in which it was authorized, and if the project was funded from a major maintenance pool, then the balance shall be transferred to that major maintenance pool; ~~or~~
- (d) If the project was not completed within the biennium in which it was authorized, without being expressly reauthorized by a succeeding session of the General Assembly, then the balance shall be transferred to the capital construction surplus account.

➔Section 22. KRS 45.345 is amended to read as follows:

- (1) (a) In addition to any payment method authorized by law, and notwithstanding any statute to the contrary, any state agency may accept the following methods of payment to secure funds for deposit into the State Treasury:
 - 1. ~~(a)~~ Credit card;
 - 2. ~~(b)~~ Debit card;
 - 3. ~~(c)~~ Electronic check;
 - 4. ~~(d)~~ Automated clearinghouse (ACH) debit; or
 - 5. ~~(e)~~ Any other electronic payment method upon the prior written approval of both the Finance and Administration Cabinet and the Office of the State Treasurer.
- ~~(b)(2)~~ Any fees charged to a state agency by the provider of the payment services listed in *paragraph (a) of this subsection* ~~(1) of this section~~ shall be deemed to represent collection expenses and may be considered normal operating expenses of the agency, or the agency may collect convenience fees from users to supplement agency costs of delivering services.
- (2) (a) *In satisfaction of debts owed to the Commonwealth:*
 - 1. *Rounding cash transactions to the nearest five cent (\$0.05) increment shall occur:*
 - a. *When pennies are not available to complete resolution of a transaction; and*
 - b. *On settlement of the final bill of sale, invoice, or fee after all individual items, duties, fees, taxes, and charges are calculated to the exact cent; and*
 - 2. *Noncash transactions shall continue to be settled to the cent without rounding.*
- (b) *As used in this subsection, "the nearest five cent (\$0.05) increment" means:*
 - 1. *Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded down to the nearest ten (\$0.10) cents;*
 - 2. *Amounts ending in three cents (\$0.03) and four cents (\$0.04) are rounded up to the nearest five (\$0.05) cents;*
 - 3. *Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are rounded down to the nearest five (\$0.05) cents;*
 - 4. *Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are rounded up to the nearest ten (\$0.10) cents; and*
 - 5. *Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain unchanged.*
- (c) *Notwithstanding any other statute to the contrary, any person selling goods or services shall not be in violation of any requirements, laws, administrative regulations, or standards of this state or political subdivision of this state based on any action taken in compliance with this section.*

➔SECTION 23. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) *In satisfaction of debts owed to cities, counties, and local government entities:*
 - (a) *Rounding cash transactions to the nearest five cent (\$0.05) increment shall occur:*
 - 1. *When pennies are not available to complete resolution of a transaction; and*

2. *On settlement of the final bill of sale, invoice, or fee after all individual items, duties, fees, taxes, and charges are calculated to the exact cent; and*
- (b) *Noncash transactions shall continue to be settled to the cent without rounding.*
- (2) *As used in this section, "the nearest five cent (\$0.05) increment" means:*
- (a) *Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded down to the nearest ten (\$0.10) cents;*
- (b) *Amounts ending in three cents (\$0.03) and four cents (\$0.04) are rounded up to the nearest five (\$0.05) cents;*
- (c) *Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are rounded down to the nearest five (\$0.05) cents;*
- (d) *Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are rounded up to the nearest ten (\$0.10) cents; and*
- (e) *Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain unchanged.*
- (3) *Notwithstanding any other statute to the contrary, any person selling goods or services shall not be in violation of any requirements, laws, administrative regulations, or standards of this state or political subdivision of this state based on any action taken in compliance with this section.*

➔Section 24. KRS 139.210 is amended to read as follows:

- (1) Except as provided in subsections (2) and (3) of this section, the tax shall be required to be collected by the retailer from the purchaser. The tax shall be displayed separately from the sales price, the price advertised in the premises, the marked price, or other price on the sales receipt or other proof of sales.
- (2) The department may relieve certain retailers from the requirement in subsection (1) of this section of separate display of the tax when the circumstances of the retailer make compliance impracticable. If the retailer establishes to the satisfaction of the department that the sales tax has been added to the total amount of the sales price and has not been absorbed by the retailer, the amount of the sales price shall be the amount received exclusive of the tax imposed.
- (3) Retailers that provide road and travel services that are taxable under KRS 139.200 shall not be required to state the tax separately from the sales price if the retailer can establish and provide evidence that the sales tax has been added to the total amount of the sales price charged to the purchaser and has not been absorbed by the retailer. The amount of the sales price shall be the amount received exclusive of the tax imposed.
- (4) The taxes collected under this section shall be deemed to be held in trust by the retailer for and on account of the Commonwealth.
- (5) The taxes to be collected under this section shall constitute a debt of the retailer to the Commonwealth.
- (6) *Regardless of a purchaser's method of payment, a retailer shall not be relieved of the retailer's responsibility to collect and remit the correct amount of tax due.*

➔SECTION 25. A NEW SECTION OF KRS CHAPTER 160 IS CREATED TO READ AS FOLLOWS:

- (1) *In satisfaction of debts owed to a school district:*
- (a) *Rounding cash transactions to the nearest five cent (\$0.05) increment shall occur:*
1. *When pennies are not available to complete resolution of a transaction; and*
2. *On settlement of the final bill of sale, invoice, or fee after all individual items, duties, fees, taxes, and charges are calculated to the exact cent; and*
- (b) *Noncash transactions shall continue to be settled to the cent without rounding.*
- (2) *As used in this section, "the nearest five cent (\$0.05) increment" means:*
- (a) *Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded down to the nearest ten (\$0.10) cents;*
- (b) *Amounts ending in three cents (\$0.03) and four cents (\$0.04) are rounded up to the nearest five (\$0.05) cents;*

- (c) *Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are rounded down to the nearest five (\$0.05) cents;*
 - (d) *Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are rounded up to the nearest ten (\$0.10) cents; and*
 - (e) *Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain unchanged.*
- (3) *Notwithstanding any other statute to the contrary, any person selling goods or services shall not be in violation of any requirements, laws, administrative regulations, or standards of this state or political subdivision of this state based on any action taken in compliance with this section.*

➔SECTION 26. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

- (1) *In satisfaction of debts owed in buying or selling goods or services or related to transactions occurring in accordance with KRS Chapters 154A, 230, and 238:*
- (a) *Rounding cash transactions to the nearest five cent (\$0.05) increment may occur:*
 - 1. *When pennies are not available to complete resolution of a transaction; and*
 - 2. *On settlement of the final bill of sale, invoice, or fee after all individual items, duties, fees, taxes, and charges are calculated to the exact cent; and*
 - (b) *Noncash transactions shall continue to be settled to the cent without rounding.*
- (2) *As used in this section, "the nearest five cent (\$0.05) increment" means:*
- (a) *Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded down to the nearest ten (\$0.10) cents;*
 - (b) *Amounts ending in three cents (\$0.03) and four cents (\$0.04) are rounded up to the nearest five (\$0.05) cents;*
 - (c) *Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are rounded down to the nearest five (\$0.05) cents;*
 - (d) *Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are rounded up to the nearest ten (\$0.10) cents; and*
 - (e) *Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain unchanged.*
- (3) *Notwithstanding any other statute to the contrary, any person selling goods or services and any person making transactions in accordance with KRS Chapters 154A, 230, and 238 shall not be in violation of any requirements, laws, administrative regulations, or standards of this state or political subdivision of this state based on any action taken in compliance with this section.*

➔SECTION 27. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

As used in Sections 27 to 30 of this Act:

- (1) *"Board" means the board of trustees of a district established under Section 29 of this Act;*
- (2) *"District" means a regional industrial taxing district established by an interlocal agreement as permitted under Section 28 of this Act;*
- (3) *"Infrastructure development" means the construction or improvement, within a district, of roads and facilities necessary or desirable for improvements of the real estate, including:*
 - (a) *Surveys;*
 - (b) *Site tests and inspections;*
 - (c) *Environmental remediation;*
 - (d) *Subsurface site work;*
 - (e) *Excavation;*
 - (f) *Removal of structures, roadways, cemeteries, and other underground and surface obstructions;*

- (g) *Filling, grading, and the provision of drainage, storm water retention, utility installation, including but not limited to water, sewer, sewage treatment, gas, electricity, and communications; and*
- (h) *Utility extensions to the boundaries of a district;*
- (4) *"Local government" means a city, county, urban-county government, charter county government, consolidated local government, or unified local government located within the Commonwealth;*
- (5) *"Multicounty region" means multiple counties, multiple cities not located in the same county, or a combination of counties and cities with at least two (2) local governments from different counties; and*
- (6) *"Trustee" means an individual appointed to the board that collectively holds overall responsibility for managing and controlling the affairs of a district in accordance with KRS Chapter 65A.*

➔Section 28. KRS 65.302 is amended to read as follows:

- (1) ~~As used in this section:~~
 - (a) ~~"Board" means the board of trustees of a district;~~
 - (b) ~~"District" means a taxing district established under subsection (2)(b) of this section;~~
 - (c) ~~"Local government" means a city, county, urban county government, charter county government, consolidated local government, or unified local government located within the Commonwealth; and~~
 - (d) ~~"Multicounty region" means multiple counties, multiple cities not located in the same county, or a combination of counties and cities with at least two (2) local governments from different counties.~~
- (2) ~~(a)~~ 1. *After providing notice in accordance with Section 30 of this Act*, two (2) or more governing bodies of local governments constituting a multicounty region may join together by entering into an interlocal agreement under KRS 65.210 to 65.300 to develop real estate as part of a regional economic development project. The interlocal agreement shall specify the investment dollars contributed to the regional economic development project by each local government, the use of those investment dollars for the project, and the provision of services provided by each local government.
- 2. The regional economic development project shall:
 - a. Consist of three hundred (300) or more contiguous acres located in the jurisdiction of a local government that is a party to the interlocal agreement; and
 - b. Result in the creation of at least five hundred (500) new jobs.
- (b) 1. The territory that will be used in a regional economic development project may be organized into a taxing district for the purpose of levying taxes to:
 - a. Provide for the establishment, operation, and maintenance of *the district and* governmental services for the district;~~and~~
 - b. Pay *the* debt service on bonds issued to finance the cost of~~building~~ infrastructure *development* in the district;
 - c. *Pay the Commonwealth for funds appropriated for the development of the district; and*
 - d. *Invest in future regional economic development projects located in the jurisdiction of any local government that is a party to the interlocal agreement.*
- 2. A taxing district created under this paragraph shall comply with KRS 65.182 to 65.190, including the petition requirements, but not the percentage of registered voter signature requirements under KRS 65.182(1)(a).~~{~~
- ~~2. The territory located within the district shall not be subject to annexation without the consent of the governing bodies of all of the local governments that are a party to the interlocal agreement.~~
- (2)~~(3)~~ (a) Once created, the district shall constitute a taxing district within the meaning of Section 157 of the Constitution of Kentucky and is authorized to levy a special ad valorem tax on property located within the jurisdictional boundaries of the district.
- (b) The special ad valorem tax rate shall not exceed ten cents (\$0.10) per one hundred dollars (\$100) of the assessed value of the property.

- (c) The special ad valorem tax shall be:
1. In addition to all other ad valorem taxes; and
 2. Administered and collected in the same manner as the county ad valorem taxes, except the revenues shall be turned over to the board.
- ~~(3)~~~~(4)~~ (a) In addition to the special ad valorem tax levied under subsection ~~(2)~~~~(3)~~ of this section, the governing body of a local government in which the district is located may, with agreement of the governing bodies of all of the local governments that are a party to the interlocal agreement, impose and collect an occupational license fee on businesses, trades, professions, or occupations performed, rendered, or conducted within the district, at a percentage rate not to exceed three percent (3%) of:
1. Salaries, wages, commissions, and other compensation earned by persons within the district for work done and services performed, rendered, or conducted within the district;
 2. The net profits of self-employed individuals, partnerships, professional associations, or joint ventures resulting from businesses, trades, professions, occupations, or activities conducted in the district; and
 3. The net profits of corporations resulting from businesses, trades, professions, occupations, or activities conducted in the district.
- (b) Once an occupational license fee is imposed under this subsection, the rate of the occupational license fee shall never increase.
- (c) ~~{Except for an occupational license fee imposed under KRS Chapter 160, an occupational license fee imposed under this subsection shall be the only occupational license fee imposed on businesses, trades, professions, or occupations performed, rendered, or conducted within the district.}~~
- ~~(d)~~ The occupational license fee shall not apply to businesses, trades, professions, or occupations exempt under KRS 68.180, 68.197, or 91.200.
- ~~(d)~~~~(e)~~ Each local government that is a party to the interlocal agreement shall receive a portion of the revenues collected from the occupational license fee as specified by the agreement. The revenues may be deposited into the general fund of the local government *pursuant to the interlocal agreement* ~~{to be used in accordance with the purposes set out in subsection (2)(b) of this section}~~.
- (4) (a) *If a district is located within the jurisdiction of a city, the city may impose a license fee. The city shall not impose an occupational license fee until all cities that are a party to the interlocal agreement approve of the imposition of the occupational license fee and the rate that is to be imposed.*
- (b) *Persons who pay a county license fee and a license fee to a city under paragraph (a) of this subsection shall be allowed to credit their city license fee against their county license fee in accordance with KRS 68.197.*
- (5) *Wage assessments may be imposed upon salaries, wages, commissions, and other compensation earned by persons within the district for work done and services performed, rendered, or conducted within the district. Any wage assessments imposed within the district shall expire and no longer be imposed upon the earlier of:*
- (a) *Twenty (20) years after the date of imposition;*
 - (b) *The date bonds for the district supported by the wage assessments are retired; or*
 - (c) *All financial assistance received from the Commonwealth for infrastructure are repaid{*
- ~~(f)~~ ~~An occupational license fee imposed under this subsection shall expire twenty (20) years after the year of imposition. After the occupational license fee has expired, an additional occupational license fee shall not be imposed under this subsection.~~
- ~~(5)~~ (a) ~~A board shall be established to control and manage the affairs of the district.~~
- ~~(b)~~ ~~The board shall:~~
- ~~1. Represent a multicounty region;~~
 - ~~2. Comply with the provisions of KRS Chapter 65A;~~

- ~~3. Agree, in writing, to the use or distribution of the revenue generated from a special ad valorem tax levied under subsection (3) of this section;~~
- ~~4. Agree, in writing, to the collection and distribution of the revenue generated from an occupational license fee imposed under subsection (4) of this section;~~
- ~~5. Operate in accordance with the following:~~
- ~~a. The board membership shall consist of at least one (1) trustee from each local government that is a party to the interlocal agreement;~~
- ~~b. The trustees shall serve staggered terms of four (4) years;~~
- ~~c. The chair of the board shall be elected by the trustees from among its membership;~~
- ~~d. The board may appoint a secretary, an executive director, and other officials and employees who need not be members of the board;~~
- ~~e. A quorum for the transacting of the business of the board shall consist of a majority of its membership;~~
- ~~f. A trustee of the board may be removed as provided by KRS 65.007; and~~
- ~~g. Vacancies of the board shall be filled in the same manner as the original appointments; and~~
- ~~6. Provide an annual report by August 1 of each year to the Department for Local Government containing:~~
- ~~a. A description of the regional economic development project, including the location, specific boundaries, and the total number of acres;~~
- ~~b. A description of each business located in the district;~~
- ~~c. The total number of jobs created by the regional economic development project;~~
- ~~d. The total number of people employed within the boundaries of the district;~~
- ~~e. The name of each local government that is a party to the interlocal agreement;~~
- ~~f. The total amount of money contributed by each local government for the regional economic development project and a description of how the money was used;~~
- ~~g. The rate of a special ad valorem tax levied under this section, the total revenues collected from the tax for each year, and a breakdown of how the revenues were used; and~~
- ~~h. The rate of an occupational license fee imposed under this section, the total revenues collected from the fee for each year, and a breakdown of how the revenues were used.~~
- ~~(6) No later than October 1 of each year, the Department for Local Government shall compile the information reported under subsection (5)(b)6. of this section and report the compiled information to the Interim Joint Committee on Appropriations and Revenue.~~

➔SECTION 29. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) *A board shall be established to control and manage the affairs of the district. The board shall:*
- (a) *Represent a multicounty region;*
- (b) *Comply with the provisions of KRS Chapter 65A;*
- (c) *Agree, in writing, to the use or distribution of the revenue generated from a special ad valorem tax levied under Section 28 of this Act;*
- (d) *Agree, in writing, to the collection and distribution of the revenue generated from an occupational license fee imposed under Section 28 of this Act; and*
- (e) *Operate in accordance with the following:*
1. *The board membership shall consist of at least one (1) trustee from each local government that is a party to the interlocal agreement;*
 2. *The trustees shall serve staggered terms of four (4) years;*
 3. *The chair of the board shall be elected by the trustees from among its membership;*

4. *The board may appoint a secretary, an executive director, and other officials and employees who need not be members of the board;*
 5. *A quorum for the transacting of the business of the board shall consist of a majority of its membership;*
 6. *A trustee of the board may be removed as provided by KRS 65.007; and*
 7. *Vacancies of the board shall be filled in the same manner as the original appointments.*
- (2) *No later than October 1 of each year, the Department for Local Government shall compile the information received by the board pursuant to KRS Chapter 65A and report it to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue.*

➔SECTION 30. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) (a) *Before the execution of an interlocal agreement to create a district, all local governments with territory wholly or partially within the boundaries of the multicounty region shall be provided written notice of the intent to create the district by the governing body of the local governments seeking to create the district.*
- (b) *The written notice shall:*
1. *Be delivered no less than thirty (30) days prior to the execution of the agreement to the chief executive officer of each local government with territory wholly or partially within the boundaries of the multicounty region, by certified mail or official electronic delivery;*
 2. *Identify the proposed participating entities;*
 3. *Describe the proposed boundaries of the district;*
 4. *Include a summary of the anticipated tax structure; and*
 5. *Specify the infrastructure development projects that will be supported by the revenues generated from the tax structure.*
- (2) (a) *Notwithstanding any provision of law to the contrary, a city shall not be required to participate in a district unless the city has adopted an ordinance or resolution authorizing participation.*
- (b) *A district shall not include any portion of a city located within its geographic boundaries that has not consented to participation under paragraph (a) of this subsection.*
- (c) *Sections 27 to 30 of this Act shall not be construed to limit a city's authority to levy and collect an occupational license tax under KRS 91.200 or 91.280 unless the city has voluntarily joined a district and agreed to the imposition of an occupational tax by the district under subsection (3) of Section 28 of this Act.*
- (d) *Notwithstanding KRS 81A.534(1), a district created pursuant to Sections 27 to 30 of this Act that is wholly located within unincorporated territory of one (1) or more counties and meets the requirements of KRS 81A.534(2) shall qualify automatically as a county industrial district under the provisions of KRS 81A.532 to 81A.536 upon the enactment of a single, final ordinance designating the district as a county industrial district by the fiscal court of any county or counties in which the district is physically located. Except for the county or counties in which the district is physically located that enact an ordinance designating the county industrial district, any county industrial district created in the manner authorized by this paragraph shall not be deemed to constitute a county industrial district under KRS 81A.534(4) for any other counties participating in the district.*

➔Section 31. KRS 143A.030 is amended to read as follows:

The taxes imposed in KRS 143A.020 do not apply to ~~fluorspar,~~ lead, zinc, and barite severed for any purposes or to rock, limestone, or gravel used for privately maintained but publicly dedicated roads or limestone when sold or used by the taxpayer for agricultural purposes so as to qualify for exemption from sales and use taxes as provided in KRS 139.480.

➔Section 32. KRS 143A.010 is amended to read as follows:

As used in this chapter:

- (1) "Department" means the Department of Revenue;
- (2) "Natural resource" means all forms of minerals, including but not limited to rock, stone, limestone, shale, gravel, sand, clay, *fluorspar*, natural gas, and natural gas liquids, which are contained in or on the soils or waters of this state. For purposes of this chapter, "natural resource" does not include coal and oil which are taxed under KRS 143.020 and 137.120;
- (3) "Severing" or "severed" means the physical removal of the natural resource from the earth or waters of this state by any means; however, "severing" or "severed" shall not include the removal of natural gas from underground storage facilities into which the natural gas has been mechanically injected following its initial removal from the earth;
- (4) (a) "Taxpayer" means and includes any individual, partnership, joint venture, association, corporation, receiver, trustee, guardian, executor, administrator, fiduciary, or representative of any kind engaged in the business of severing and/or processing natural resources in this state for sale or use. In instances where contracts, either oral or written, are entered into whereby persons, organizations, or businesses are engaged in the business of severing and/or processing a natural resource but do not obtain title to or do not have an economic interest therein, the party who owns the natural resource or has an economic interest is the taxpayer.
(b) For purposes of this chapter, a taxpayer possesses an economic interest in a natural resource where the taxpayer has acquired by investment any interest in a natural resource and secures, by any form of legal relationship, income derived from the severance or processing of the natural resource, to which *the taxpayer* ~~he~~ must look for a return of *the taxpayer's* ~~his~~ capital. A party who has no capital investment in the natural resource or who only receives an arm's length royalty shall not be considered as having an economic interest;
- (5) "Gross value" is defined as follows:
 - (a) For natural resources severed and/or processed and sold during a reporting period, gross value is the amount received or receivable by the taxpayer;
 - (b) For natural resources severed and/or processed, but not sold during a reporting period, gross value shall be determined as follows:
 1. If the natural resource is to be sold under the terms of an existing contract, the contract price shall be used in computing gross value; and
 2. If there is no existing contract, the fair market value for that grade and quality of the natural resource shall be used in computing gross value;
 - (c) In a transaction involving related parties, gross value shall not be less than the fair market value for natural resources of similar grade and quality;
 - (d) In the absence of a sale, gross value shall be the fair market value for natural resources of similar grade and quality;
 - (e) If severed natural resources are purchased for the purpose of processing and resale, the gross value is the amount received or receivable during the reporting period reduced by the amount paid or payable to the taxpayer actually severing the natural resource;
 - (f) If severed natural resources are purchased for the purpose of processing and consumption, the gross value is the fair market value of processed natural resources of similar grade and quality reduced by the amount paid or payable to the taxpayer actually severing the natural resource;
 - (g) In all instances, the gross value shall not be reduced by any taxes including the tax levied in KRS 143A.020, royalties, sales commissions, or any other expense; and
 - (h) In all instances, transportation expense incurred in transporting a natural resource shall not be considered as gross income from the property;
- (6) "Processing" includes but is not limited to breaking, crushing, cleaning, drying, sizing, or loading or unloading for any purpose. "Processing" shall not include the act of unloading or loading for shipment natural resources that have not been severed, cleaned, broken, crushed, dried, sized or otherwise treated in Kentucky;
- (7) "Related parties" means two (2) or more persons, organizations, or businesses owned or controlled directly or indirectly by the same interests; and

- (8) (a) "Transportation expense" means:
1. The amount paid by a taxpayer to a third party for transporting natural resources; and
 2. The expenses incurred by a taxpayer using *the taxpayer's*~~his~~ own facilities in transporting natural resources from the point of extraction to a processing plant, tipple, or loading dock.
- (b) "Transportation expense" shall not include:
1. The cost of acquisition, improvements, and maintenance of real property;
 2. The cost of acquisition and operating expenses of mining and nonmining loading or unloading facilities; or
 3. The cost of acquisition and operating expenses of equipment used to load or unload the natural resource at the point of extraction, processing facility, or mining and nonmining loading facility.

➔Section 33. KRS 140.160 is amended to read as follows:

- (1) The Department of Revenue shall have full supervision of the collection of all taxes due under the provisions of this chapter, including the power to institute suit in this and other states. It may employ attorneys and other persons necessary to carry out the full intent and purpose of this chapter. The department shall furnish, upon application, blank forms covering information as may be necessary to determine the amount of tax due the state on the transfer of all property subject to tax.
- (2) The department may cause personal representatives or beneficiaries to file all statements required by this chapter with the clerks of the proper courts and with the department, and may require them to furnish any additional information deemed necessary to support the computation of the amount of tax that should be paid by the estate. The personal representative, or the beneficiaries in the absence of a personal representative, shall compute the taxes imposed by this chapter on the tax return provided by the department when:
- (a) 1. A United States estate tax return is required to be filed under federal law and applicable regulations; and
2. The estate includes property over which Kentucky has jurisdiction for purposes of the taxes imposed by this chapter; or
- (b) Any assets from the estate subject to the taxes imposed by this chapter pass to a beneficiary taxable under KRS 140.070.
- (3) (a) ***For deaths prior to July 1, 2026***, the tax return, when required, shall be filed with the department within eighteen (18) months after the death of the decedent or at the time payment of the tax is made pursuant to KRS 140.210.
- (b) ***For deaths on or after July 1, 2026, the tax return, when required, shall be filed with the department within twenty-four (24) months after the death of the decedent or at the time payment of the tax is made pursuant to Section 34 of this Act.***
- (4)~~(3)~~ Except as herein provided, no action to enforce the collection of the tax imposed by this chapter shall be commenced more than ten (10) years after the cause of action first accrued. In case the settlement of an estate is delayed because of litigation or other unavoidable cause, the delay shall suspend the limitation, prescribed by this subsection, until the cause of delay is removed. In the case of a fraudulent return or any other fraudulent representation affecting the amount of or the liability for the tax imposed by this chapter notwithstanding any provision of limitation provided elsewhere, the tax due by reason thereof may at any time be assessed and collected by the methods set out in this chapter, including action in a court of competent jurisdiction.

➔Section 34. KRS 140.210 is amended to read as follows:

- (1) (a) ***For deaths prior to July 1, 2026***, all taxes imposed by this chapter, unless otherwise provided in this chapter, shall be due at the death of the decedent and shall be payable to the Department of Revenue within eighteen (18) months thereafter. If they are paid within nine (9) months, a discount of five percent (5%) shall be allowed, and if they are paid within eighteen (18) months, no interest shall be charged and collected thereon. If the taxes due are not paid within eighteen (18) months, interest at the tax interest rate as defined in KRS 131.010~~(6)~~ shall be paid from the expiration of the eighteen (18) months until payment is actually made to the department.

(b) *For deaths on or after July 1, 2026, all taxes imposed by this chapter, unless otherwise provided in this chapter, shall be due at the death of the decedent and shall be payable to the Department of Revenue within twenty-four (24) months thereafter. If they are paid within fourteen (14) months, a discount of five percent (5%) shall be allowed, and if they are paid within twenty-four (24) months, no interest shall be charged and collected thereon. If the taxes due are not paid within twenty-four (24) months, interest at the tax interest rate as defined in KRS 131.010 shall be paid from the expiration of the twenty-four (24) months until payment is actually made to the department.*

(2) In all cases where the personal representatives or trustees do not pay the taxes *by the applicable eighteen (18) month or twenty-four (24) month deadline established in subsection (1) of this section*~~within eighteen (18) months from the death of the decedent~~, they shall be required to give bond, in the form and to the effect prescribed by the department, for the payment of the taxes and interest.

➔Section 35. KRS 140.222 is amended to read as follows:

(1) When the net tax due from a beneficiary's distributive share exceeds five thousand dollars (\$5,000), the beneficiary may elect to pay the inheritance tax in ten (10) equal installments. The first installment shall be due at the time the return is filed with succeeding payments due in annual installments beginning one (1) year after the return is filed.

(2) (a) *For deaths prior to July 1, 2026*, the portion of the tax deferred under this section shall be charged with interest at the tax interest rate as defined in KRS 131.010~~[(6)]~~ commencing eighteen (18) months after the date of death.

(b) *For deaths on or after July 1, 2026, the portion of the tax deferred under this section shall be charged with interest at the tax interest rate as defined in KRS 131.010 commencing twenty-four (24) months after the date of death.*

(3) When the beneficiary elects to pay the tax on *the beneficiary's*~~his~~ share as provided in this section, such election must be made in writing and signed by the beneficiary and must be filed with the Department of Revenue at the time of filing the tax return for the decedent's estate under KRS 140.160(3)~~(2)~~. The filing of the election together with payment of the first installment shall relieve the personal representative or trustee of the estate from further liability for the tax payments deferred under this section and the bond requirements of KRS 140.210, subject to the final approval by the Department of Revenue of all other taxes due under this chapter.

(4) A beneficiary electing to defer the payment of taxes under this section shall be personally liable for the amount of deferred taxes until paid.

(5) The period of limitations for actions to enforce the collection of taxes imposed by this chapter as provided by KRS 140.160~~(4)~~~~(3)~~ shall be suspended for the period of time for deferred payment granted by this section.

➔Section 36. KRS 134.490 is amended to read as follows:

(1) (a) Within fifty (50) days after the delivery of a certificate of delinquency by the clerk to a third-party purchaser, the third-party purchaser shall send a notice to the delinquent taxpayer informing the delinquent taxpayer that the certificate of delinquency has been purchased by the third-party purchaser.

(b) *The third-party purchaser shall send this notice once every six (6) months*~~At least annually thereafter,~~ until the notice required by subsection (2) of this section is sent~~, the third party purchaser shall send a notice to the delinquent taxpayer~~.

(c) The notices included in this subsection shall be sent by certified mail with proof of mailing and include the information required by subsection (3)(d) of this section. A copy of each notice shall be sent to each mortgagee who holds a mortgage on the property that is the subject of the certificate of delinquency.

(2) Anytime after the expiration of the one (1) year tolling period established by KRS 134.546, the third-party purchaser may institute an action to collect the amount due on a certificate of delinquency. At least forty-five (45) days before instituting a legal action, the third-party purchaser shall send a notice to the taxpayer and a copy of the notice to each mortgagee who holds a mortgage on the property by certified mail with proof of mailing. The notice shall:

(a) Inform the taxpayer that enforcement action will be taken;

- (b) Include a statement advising the taxpayer that substantial additional administrative costs and fees associated with collection in addition to the amount due on the certificate of delinquency may be imposed and that collection actions may include foreclosure; and
- (c) Include the information required by subsection (3) of this section.

The notice shall be in addition to any notice sent under subsection (1) of this section.

- (3) (a) 1. For certificates of delinquency for all property except property described in paragraph (b) of this subsection, third-party purchasers or their designees shall obtain from the office of the property valuation administrator of the county in which the real property is located the most recent address for the property owner.
- 2. To obtain information from the office of the property valuation administrator, the third-party purchaser shall, at the option of the property valuation administrator, either:
 - a. Obtain information from an up-to-date public access list or ~~website~~~~[Web site]~~ offered by the property valuation administrator; or
 - b. Submit a list of addresses, map identification numbers, or parcel numbers for which updated information is requested to the property valuation administrator, who shall update his or her records with regard to the properties for which information is requested and provide the updated information to the third-party purchaser within ten (10) days.
- 3. For this service, the property valuation administrator may charge a fee not to exceed two dollars (\$2) for each address provided or obtained.
- 4. Except as provided in paragraph (b) of this subsection, the third-party purchaser shall send the notices required by subsections (1) and (2) of this section to the address provided by the property valuation administrator. Unless the provisions of subparagraph 7. of this paragraph apply, the third-party purchaser shall not be required to send a notice to any party other than the owner of record as provided by the property valuation administrator at the time the notice is sent and the mortgage as required by subsections (1) and (2) of this section.
- 5. If, due to insufficient staffing, the property valuation administrator is unable to provide the requested information to the third-party purchaser within ten (10) days of submission, the property valuation administrator shall immediately notify the third-party purchaser, and the third-party purchaser may send the notices required by subsections (1) and (2) of this section to the address reflected in the public records of the property valuation administrator.
- 6. Any notices sent pursuant to information obtained under this paragraph that are returned as undeliverable shall be re-sent by certified mail with proof of mailing addressed to the "Occupant" at the address of the property that is the subject of the certificate of delinquency. These notices shall be sent within twenty (20) days of receipt of the returned notice.
- 7. If a third-party purchaser becomes aware of a more recent or more accurate address for a delinquent taxpayer that is different from the address reflected in the records of the property valuation administrator, the third-party purchaser shall send notices to the updated address in the manner required by this subsection, and shall notify the property valuation administrator of the updated address.
- 8. If a third-party purchaser receives an address from the property valuation administrator during an address check after a first notice is sent and returned as undeliverable, and the address is the same as was originally provided, the third-party purchaser shall send the notice addressed to "Occupant" at the address of the property that is the subject of the certificate of delinquency in the manner required by this subsection.
- (b) 1. For certificates of delinquency relating to unmined coal, oil or gas reserves, or any other mineral or energy resources assessed separately from the surface real property pursuant to KRS 132.820, third-party purchasers or their designees shall obtain from the department the most recent address for the property owner.
- 2. To obtain information about a particular property, the third-party purchaser shall submit to the department a list of addresses, map identification numbers, parcel numbers, and any other information the department may require. The department shall:

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- a. Update its records with regard to the properties for which information is requested; and
 - b. Provide the updated information to the third-party purchaser within ten (10) business days.
3. For this service, the department may charge a fee not to exceed two dollars (\$2) for each address provided.
 4. The third-party purchaser shall send the notices required by subsections (1) and (2) of this section relating to unmined coal, oil or gas reserves, or any other mineral or energy resources assessed separately from the surface real property pursuant to KRS 132.820 to the address provided by the department. Unless the provisions of subparagraph 5.f. of this paragraph apply, the third-party purchaser shall not be required to send a notice to any party other than the owner of record as provided by the department at the time the notice is sent and the mortgagee as required by subsections (1) and (2) of this section.
 5.
 - a. Any notice sent pursuant to subsections (1) and (2) of this section based on information obtained pursuant to this paragraph and returned as undeliverable shall be submitted to the department within ten (10) days of receipt of the returned notice.
 - b. The department shall attempt to obtain an updated address for the owner of the property subject to the certificate of delinquency from the individual or entity filing the property tax return for the property.
 - c. The individual or entity filing the property tax return shall provide an address of the property owner upon request of the department.
 - d. The department shall provide any updated address information to the third-party purchaser.
 - e. If updated information is provided, the notices shall be re-sent by certified mail with proof of mailing to the updated address of the owner within ten (10) days of the receipt of the updated information from the department.
 - f. If a third-party purchaser becomes aware of a more recent or more accurate address for a delinquent taxpayer that is different from the address reflected in the records of the department, the third-party purchaser shall send notices to the updated address in the manner required by this subsection, and shall notify the department of the updated address.
- (c) The third-party purchaser shall maintain complete and accurate records of all notices sent pursuant to this section.
 - (d) The notices required by this section shall include the following information:
 1. A statement that the certificate of delinquency is a lien of record against the property for which delinquent taxes are owed;
 2. A statement that the certificate bears interest at the rate provided in KRS 134.125;
 3. A statement that if the certificate is not paid, it will be subject to collection as provided by law, and that collection actions may include foreclosure. The notice required by subsection (2) of this section shall also include a statement of the intent to institute legal action to collect the amount due;
 4. A complete listing of the amount due, as of the date of the notice, broken down as follows:
 - a. The purchase price of the certificate of delinquency;
 - b. Interest accrued subsequent to the purchase of the certificate of delinquency; and
 - c. Fees imposed by the third-party purchaser;
 5. If the third-party purchaser is required to register with the department as provided in KRS 134.128(3), for certificates of delinquency purchased after June 1, 2012, a statement informing the taxpayer that upon written request and the payment of a processing fee, the third-party purchaser will offer a payment plan; and

6. Information, in a format and with content as determined by the department, detailing the provisions of the law relating to third-party purchaser fees and charges.
- (e) In addition, the notice shall provide the following information to the taxpayer:
1. The legal name of the third-party purchaser;
 2. The third-party purchaser's physical address;
 3. The third-party purchaser's mailing address for payments, if different from the physical address; and
 4. The third-party purchaser's telephone number.

If the information required by this paragraph changes, the third-party purchaser shall, within thirty (30) days of the change becoming effective, send a notice to each taxpayer by certified mail with proof of mailing with the corrected information. The third-party purchaser shall also update contact information included in the records of the county clerk within ten (10) days of the change becoming effective. Failure to send the original notice or any correction notices shall result in the suspension of the accrual of all interest and any fees incurred by the third-party purchaser after that date until proper notice is given as required by this subsection.

- (4) If a person entitled to pay a certificate of delinquency to a third-party purchaser makes payment on the certificate of delinquency to the county clerk under the conditions described in KRS 134.127(3)(d), the payment shall constitute payment in full, and no other amounts may be collected by the third-party purchaser from the person.
- (5) (a) For certificates of delinquency purchased after June 1, 2012, at the written request of a delinquent taxpayer, a third-party purchaser required to register with the department as provided in KRS 134.128(3) shall provide a monthly installment payment plan to a taxpayer.
- (b) The taxpayer and third-party purchaser shall sign an agreement detailing the terms of the installment payment plan.
- (c) The third-party purchaser may impose a processing fee, not to exceed eight dollars (\$8) per month to offset the administrative cost of providing the payment plan. No other fees, charges, interest, or other amounts not expressly authorized by this chapter shall be charged, assessed, or collected by the third-party purchaser.
- (d) The existence of an agreement to provide a payment plan shall not impact the right of the third-party purchaser to pursue legal action if the delinquent taxpayer fails to follow the terms of the installment payment agreement.
- (e) Upon default of a delinquent taxpayer:
1. The third-party purchaser shall retain all amounts paid, which shall be applied to the outstanding balance due; and
 2. The third-party purchaser shall not be required to offer the delinquent taxpayer another opportunity for an installment payment plan.
- (f) If a third-party purchaser who was required to offer payment plans pursuant to paragraph (a) of this subsection, subsequently does not purchase a sufficient number of certificates of delinquency to require registration with the department, the third-party purchaser shall continue to offer payment plans under the conditions established by this subsection for all delinquent taxpayers whose certificates of delinquency were purchased during a period in which the third-party purchaser was required to register with the department.
- (g) A third-party purchaser who is not required to register with the department as provided in KRS 134.128(3), or who holds certificates of delinquency purchased prior to June 1, 2012, may voluntarily offer installment payment plans to delinquent taxpayers in accordance with the provisions of this subsection.
- (h) The department may establish additional terms and conditions for installment payment plans in an administrative regulation.

- (6) Any person to whom a third-party purchaser transfers or assigns a certificate of delinquency shall be considered a third-party purchaser under this chapter.

➔Section 37. KRS 138.130 is amended to read as follows:

As used in KRS 138.130 to 138.205:

- (1) ~~[(a)]~~ "Chewing tobacco":
- (a) Means any leaf tobacco that is not intended to be smoked; ~~and~~
- (b) Includes loose leaf chewing tobacco, plug chewing tobacco, and twist chewing tobacco; ~~and~~
- ~~(b) "Chewing tobacco"~~
- (c) Does not include snuff;
- (2) "Cigarettes" means any roll for smoking made wholly or in part of tobacco, or any substitute for tobacco, irrespective of size or shape and whether or not the tobacco is flavored, adulterated, or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material, except tobacco;
- (3) "Cigarette tax" means the group of taxes consisting of:
- (a) The tax imposed by KRS 138.140(1)(a);
- (b) The surtax imposed by KRS 138.140(1)(b); and
- (c) The surtax imposed by KRS 138.140(1)(c);
- (4) ~~[(a)]~~ "Closed vapor cartridge":
- (a) Means a pre-filled disposable cartridge that:
1. Is intended to be used with or in a noncombustible product that employs a heating element, battery, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, to deliver vaporized or aerosolized nicotine, non-nicotine substances, or other materials to users that may be inhaling from the product, **including but not limited to** ~~such as~~ any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or other similar product or device and every variation thereof, regardless of whether marketed as **one of these products** ~~such~~; and
 2. Contains nicotine or non-nicotine substances or other material consumed during the process of vaporization or aerosolization; ~~and~~
- (b) ~~["Closed vapor cartridge"]~~ Does not include any product regulated as a drug or device by the United States Food and Drug Administration under Chapter V of the Food, Drug, and Cosmetic Act;
- (5) "Department" means the Department of Revenue;
- (6) "Distributor" means any person **located**:
- (a) **In this state or outside** ~~within~~ this state in possession of tobacco products or vapor products for resale within this state; **or**
- (b) **Outside this state selling tobacco products or vapor products to consumers in this state;** on which the tobacco products tax imposed under KRS 138.140(2) has not been paid;
- (7) "Half-pound unit" means a consumer-sized container, pouch, or package:
- (a) Containing at least four (4) ounces but not more than eight (8) ounces of chewing tobacco by net weight;
- (b) Produced by the manufacturer to be sold to consumers as a half-pound unit and not produced to be divided or sold separately; and
- (c) Containing one (1) individual container, pouch, or package;
- (8) "Manufacturer" means any person who manufactures or produces cigarettes or tobacco products within or without this state;

- (9) "Nonresident wholesaler" means any person who purchases cigarettes directly from the manufacturer and maintains a permanent location outside this state where Kentucky cigarette tax evidence is attached or from where Kentucky cigarette tax is reported and paid;
- (10) ~~[(a)]~~ "Open vaping system":
- (a) Means:
1. Any noncombustible product that employs a heating element, battery, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size ~~and including the component parts and accessories thereto~~, that uses a refillable liquid solution to deliver vaporized or aerosolized nicotine, non-nicotine substances, or other materials to users that may be inhaling from the product; *and*
 2. *Any liquid solution that is intended to be used with the product described in subparagraph 1. of this paragraph;*
- (b) ~~Includes:~~ ~~[such as]~~
1. Any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device and every variation thereof, regardless of whether marketed as *one of those products* ~~[such]~~; and
 2. Any *component parts to or accessories for a product described in paragraph (a)1. of this subsection; and* ~~[liquid solution that is intended to be used with the product described in subparagraph 1. of this paragraph.]~~
- (c) ~~[(b)]~~ ~~["Open vaping system"]~~ Does not include any product regulated as a drug or device by the United States Food and Drug Administration under Chapter V of the Food, Drug, and Cosmetic Act;
- (11) "Person" means:
- (a) Any individual, firm, copartnership, joint venture, association, municipal *corporation*, or private corporation, whether organized for profit or not; ~~[;]~~
 - (b) The Commonwealth of Kentucky or any of its political subdivisions; *and* ~~[;]~~
 - (c) An estate, trust, or any other group or combination acting as a unit;
- (12) "Pound unit" means a consumer-sized container, pouch, or package:
- (a) Containing more than eight (8) ounces but not more than sixteen (16) ounces of chewing tobacco by net weight;
 - (b) Produced by the manufacturer to be sold to consumers as a pound unit and not produced to be divided or sold separately; and
 - (c) Containing one (1) individual container, pouch, or package;
- (13) *"Premium cigar" means a cigar that:*
- (a) *Is wrapped in whole leaf tobacco;*
 - (b) *Contains one hundred percent (100%) leaf tobacco binder;*
 - (c) *Is made manually combining the wrapper, filler, and binder;*
 - (d) *Has no filter, tip, or nontobacco mouthpiece and is capped by hand; and*
 - (e) *Weighs more than six (6) pounds per one thousand (1,000) units;*
- (14) "Reference products" means tobacco products, vapor products, or cigarettes made by a manufacturer specifically for an accredited state college or university to be held by the college or university until sale or transfer to a laboratory, hospital, medical center, institute, college or university, manufacturer, or other institution;
- (15) ~~[(14)]~~ "Resident wholesaler" means any person who purchases at least seventy-five percent (75%) of all cigarettes purchased by the wholesaler directly from the manufacturer on which the cigarette tax is unpaid, and who maintains an established place of business in this state where the wholesaler attaches cigarette tax evidence or receives untax-paid cigarettes;

- (16)~~(15)~~ "Retail distributor" means a retailer who has obtained a retail distributor's license under KRS 138.195;
- (17)~~(16)~~ "Retailer" means any person who sells to a consumer or to any person for any purpose other than resale;
- (18)~~(17)~~ "Sale" or "sell" means any transfer for a consideration, exchange, barter, gift, offer for sale, advertising for sale, soliciting an order for cigarettes ~~for~~ tobacco products, **or vapor products**, and distribution in any manner or by any means whatsoever;
- (19)~~(18)~~ "Sale at retail" means a sale to any person for any other purpose other than resale;
- (20)~~(19)~~ "Single unit" means a consumer-sized container, pouch, or package:
- (a) Containing less than four (4) ounces of chewing tobacco by net weight;
 - (b) Produced by the manufacturer to be sold to consumers as a single unit and not produced to be divided or sold separately; and
 - (c) Containing one (1) individual container, pouch, or package;
- (21)~~(20)~~ ~~(a)~~ "Snuff":
- (a) Means tobacco that:
 1. Is finely cut, ground, or powdered; and
 2. Is not for smoking; ~~and~~
 - (b) ~~"Snuff"~~ Includes snus;
- (22)~~(21)~~ "**Subjobber**"~~"Sub-jobber"~~ means any person who purchases cigarettes from a resident wholesaler, nonresident wholesaler, or unclassified acquirer licensed under KRS 138.195 on which the cigarette tax has been paid and makes them available to retailers for resale. ~~A~~~~No~~ person shall **not** make cigarettes available to retailers for resale unless the person certifies and establishes to the satisfaction of the department that firm arrangements have been made to regularly supply at least five (5) retail locations with Kentucky tax-paid cigarettes for resale in the regular course of business;
- (23)~~(22)~~ "Tax evidence" means any stamps, metered impressions, or other indicia prescribed by the department ~~within an~~~~by~~ administrative regulation **promulgated in accordance with KRS Chapter 13A** as a means of denoting the payment of cigarette taxes;
- (24)~~(23)~~ "Tobacco products" means any smokeless tobacco products, smoking tobacco, chewing tobacco, and any kind or form of tobacco prepared in a manner suitable for chewing or smoking, or both, or any kind or form of tobacco that is suitable to be placed in an individual's oral cavity, except cigarettes;
- (25)~~(24)~~ "Tobacco products tax" means the tax imposed by KRS 138.140(2)(a)1. to ~~4.~~~~3.~~;
- (26)~~(25)~~ "Transporter" means any person transporting untax-paid cigarettes obtained from any source to any destination within this state, other than cigarettes transported by the manufacturer thereof;
- (27)~~(26)~~ "Unclassified acquirer" means any person in this state who acquires cigarettes from any source on which the cigarette tax has not been paid, and who is not a person otherwise required to be licensed under KRS 138.195;
- (28)~~(27)~~ "Untax-paid cigarettes" means any cigarettes on which the cigarette tax imposed by KRS 138.140 has not been paid;
- (29)~~(28)~~ "Untax-paid tobacco or vapor products" means any tobacco products or vapor products on which the tax imposed by KRS 138.140(2) has not been paid;
- (30)~~(29)~~ "Vapor products" means a closed vapor cartridge or an open vaping system;
- (31)~~(30)~~ "Vapor products tax" means tax imposed under KRS 138.140(2)(a)~~4. and~~ ~~5. and~~ **6.**; and
- (32)~~(31)~~ "Vending machine operator" means any person ~~that~~~~who~~ operates one (1) or more **vending machines containing cigarettes, tobacco products, vapor products, or a combination thereof**~~cigarette vending machines~~.

➔Section 38. KRS 138.140 is amended to read as follows:

- (1) (a) A tax shall be paid on the sale of cigarettes within the state at a proportionate rate of three cents (\$0.03) on each twenty (20) cigarettes.

- (b) Effective July 1, 2018, a surtax shall be paid in addition to the tax levied in paragraph (a) of this subsection at a proportionate rate of one dollar and six cents (\$1.06) on each twenty (20) cigarettes.
 - (c) A surtax shall be paid in addition to the tax levied in paragraph (a) of this subsection and in addition to the surtax levied by paragraph (b) of this subsection, at a proportionate rate of one cent (\$0.01) on each twenty (20) cigarettes. The revenues from this surtax shall be deposited in the cancer research institutions matching fund created in KRS 164.043.
 - (d) The surtaxes imposed by paragraphs (b) and (c) of this subsection shall be paid at the time that the tax imposed by paragraph (a) of this subsection is paid.
- (2) (a) An excise tax is hereby imposed upon every distributor for the privilege of selling tobacco products in this state at the following rates:
- 1. Upon snuff at the rate of nineteen cents (\$0.19) per each one and one-half (1-1/2) ounces or portion thereof by net weight sold;
 - 2. Upon chewing tobacco at the rate of:
 - a. Nineteen cents (\$0.19) per each single unit sold;
 - b. Forty cents (\$0.40) per each half-pound unit sold; or
 - c. Sixty-five cents (\$0.65) per each pound unit sold.

If the container, pouch, or package on which the tax is levied contains more than sixteen (16) ounces by net weight, the rate that shall be applied to the unit shall equal the sum of sixty-five cents (\$0.65) plus nineteen cents (\$0.19) for each increment of four (4) ounces or portion thereof exceeding sixteen (16) ounces sold;
 - 3. ***Beginning July 1, 2026, upon premium cigars sold, at the rate of six percent (6%) of the actual price for which the distributor sells premium cigars;***
 - 4. ***a. Prior to July 1, 2026, upon tobacco products sold, at the rate of fifteen percent (15%) of the actual price for which the distributor sells tobacco products, except snuff and chewing tobacco, within the Commonwealth; and***
 - b. On or after July 1, 2026, upon tobacco products sold, at the rate of fifteen percent (15%) of the actual price for which the distributor sells tobacco products, except snuff, chewing tobacco, and premium cigars, within the Commonwealth;***
 - 5.~~4~~ Upon closed vapor cartridges, one dollar and fifty cents (\$1.50) per cartridge; and
 - 6.~~5~~ Upon open vaping systems, fifteen percent (15%) of the actual price for which the distributor sells:
 - a. The open vaping system when the actual price includes the items described in both KRS 138.130(10)(a)1. and 2.; or
 - b. The liquid solution described in KRS 138.130(10)(a)2. when the solution is sold separately.
- (b) The net weight posted by the manufacturer on the container, pouch, or package or on the manufacturer's invoice shall be used to calculate the tax due on snuff or chewing tobacco.
 - (c) 1. A retailer located in this state shall not purchase tobacco products for resale to consumers from any person within or outside this state unless that person is a distributor licensed under KRS 138.195(7)(a) or the retailer applies for and is granted a retail distributor's license under KRS 138.195(7)(b) for the privilege of purchasing untax-paid tobacco products and remitting the tax as provided in this paragraph.
 - 2. A licensed retail distributor of tobacco products shall be subject to the excise tax as follows:
 - a. On purchases of untax-paid snuff, at the same rate levied by paragraph (a)1. of this subsection;
 - b. On purchases of untax-paid chewing tobacco, at the same rates levied by paragraph (a)2. of this subsection;

- c. *On purchases of untax-paid premium cigars, at the same rate levied by paragraph (a)3. of this subsection;*
 - d. On purchases of untax-paid tobacco products, except snuff, *premium cigars*, and chewing tobacco, fifteen percent (15%) of the total purchase price as invoiced by the retail distributor's supplier;
 - e.~~{d.}~~ On purchases of untax-paid closed vapor cartridges, at the same rate levied by paragraph (a)5.~~{4.}~~ of this subsection; and
 - f.~~{e.}~~ On purchases of untax-paid open vaping systems, fifteen percent (15%) of the total purchase price as invoiced by the retail distributor's supplier as described in paragraph (a)6.~~{5.}~~ of this subsection.
- (d) 1. The licensed distributor that first possesses tobacco products or vapor products for sale to a retailer in this state or for sale to a person who is not licensed under KRS 138.195(7) shall be the distributor liable for the tax imposed by this subsection except as provided in subparagraph 2. of this paragraph.
2. A distributor licensed under KRS 138.195(7)(a) may sell tobacco products or vapor products to another distributor licensed under KRS 138.195(7)(a) without payment of the excise tax. In such case, the purchasing licensed distributor shall be the distributor liable for the tax.
3. A licensed distributor or licensed retail distributor shall:
- a. Identify and display the distributor's or retail distributor's license number on the invoice to the retailer; and
 - b. Identify and display the excise tax separately on the invoice to the retailer. If the excise tax is included as part of the product's sales price, the licensed distributor or licensed retail distributor shall list the total excise tax in summary form by tax type with invoice totals.
4. It shall be presumed that the excise tax has not been paid if the licensed distributor or licensed retail distributor does not comply with subparagraph 3. of this paragraph.
- (e) A~~{No}~~ tax shall *not* be imposed on tobacco products or vapor products under this subsection that are *outside*~~{not within}~~ the taxing power of this state under the Commerce Clause of the United States Constitution.
- (3) (a) The taxes imposed by subsections (1) and (2) of this section:
- 1. Shall not apply to reference products; and
 - 2. Shall be paid only once, regardless of the number of times the cigarettes or tobacco products may be sold.
- (b) The taxes imposed by subsection (1)(a) and (b) and subsection (2) of this section shall be reduced by:
- 1. Fifty percent (50%) on any product as to which a modified risk tobacco product order is issued under 21 U.S.C. sec. 387k(g)(1); or
 - 2. Twenty-five percent (25%) for any product as to which a modified risk tobacco product order is issued under 21 U.S.C. sec. 387k(g)(2).
- (4) A reference product shall carry a marking labeling the contents as a research cigarette, research vapor product, or a research tobacco product to be used only for tobacco-health research and experimental purposes and shall not be offered for sale, sold, or distributed to consumers.
- (5) The department may prescribe forms and promulgate administrative regulations to execute and administer the provisions of this section.
- (6) The General Assembly recognizes that increasing taxes on tobacco products should reduce consumption, and therefore result in healthier lifestyles for Kentuckians. The relative taxes on tobacco products proposed in this section reflect the growing data from scientific studies suggesting that although smokeless tobacco poses some risks, those health risks are significantly less than the risks posed by other forms of tobacco products. Moreover, the General Assembly acknowledges that some in the public health community recognize that tobacco harm reduction should be a complementary public health strategy regarding tobacco products. Taxing tobacco products according to relative risk is a rational tax policy and may well serve the public health goal of

reducing smoking-related mortality and morbidity and lowering health care costs associated with tobacco-related disease.

- (7) Any person subject to the taxes imposed under subsections (1) and (2) of this section that:
- (a) Files an application related to a modified risk tobacco product shall report to the department that an application has been filed within thirty (30) days of that filing; and
 - (b) Receives an order authorizing the marketing of a modified risk tobacco product shall report to the department that an authorizing order has been received.
- (8) Upon receipt of the information required by subsection (7)(b) of this section, the department shall reduce the tax imposed on the modified risk tobacco product as required by subsection (3)(b) of this section on the first day of the calendar month following the expiration of forty-five (45) days following receipt of the information required by subsection (7)(b) of this section.

➔Section 39. KRS 138.143 is amended to read as follows:

- (1) Every retailer, **subjobber**~~[sub-jobber]~~, resident wholesaler, nonresident wholesaler, and unclassified acquirer shall:
- (a) Take a physical inventory of all cigarettes in packages bearing Kentucky tax stamps, and all unaffixed Kentucky cigarette tax stamps possessed by them or in their control at 11:59 p.m. on June 30, 2018. Inventory of cigarettes in vending machines may be accomplished by:
 1. Taking an actual physical inventory;
 2. Estimating the cigarettes in vending machines by reporting one-half (1/2) of the normal fill capacity of the machines, as reflected in individual inventory records maintained for vending machines; or
 3. Using a combination of the methods prescribed in subparagraphs 1. and 2. of this paragraph;
 - (b) File a return with the department on or before July 10, 2018, showing the entire wholesale and retail inventories of cigarettes in packages bearing Kentucky tax stamps, and all unaffixed Kentucky cigarette tax stamps possessed by them or in their control at 11:59 p.m. on June 30, 2018; and
 - (c) Pay a floor stock tax at a proportionate rate equal to fifty cents (\$0.50) on each twenty (20) cigarettes in packages bearing a Kentucky tax stamp and unaffixed Kentucky tax stamps in their possession or control at 11:59 p.m. on June 30, 2018.
- (2) Every retailer and **subjobber**~~[sub-jobber]~~ shall:
- (a)
 1. Take a physical inventory of all units of snuff possessed by them or in their control at 11:59 p.m. on March 31, 2009;
 2. File a return with the department on or before April 10, 2009, showing the entire inventory of snuff possessed by them or in their control at 11:59 p.m. on March 31, 2009; and
 3. Pay a floor stock tax at a proportionate rate equal to nine and one-half cents (\$0.095) on each unit of snuff in their possession or control at 11:59 p.m. on March 31, 2009; and
 - (b)
 1.
 - a. Take a physical inventory of all other tobacco products possessed by them or in their control at 11:59 p.m. on March 31, 2009;
 - b. File a return with the department on or before April 10, 2009, showing the entire inventories of other tobacco products possessed by them or in their control at 11:59 p.m. on March 31, 2009; and
 - c. Pay a floor stock tax at a proportionate rate equal to seven and one-half percent (7.5%) on the purchase price of other tobacco products in their possession or control at 11:59 p.m. on March 31, 2009.
 2.
 - a. As used in this paragraph, "purchase price" means the actual amount paid for the other tobacco products subject to the tax imposed by this paragraph.
 - b. If the retailer or **subjobber**~~[sub-jobber]~~ cannot determine the actual amount paid for each item of other tobacco product, the retailer or **subjobber**~~[sub-jobber]~~ may use as the

purchase price the amount per unit paid as reflected on the most recent invoice received prior to April 1, 2009, ~~[]~~ for the same category of other tobacco product.

- c. To prevent double taxation, if the invoice used by the retailer or *subjobber* ~~[sub-jobber]~~ to determine the purchase price of the other tobacco product does not separately state the tax paid by the wholesaler, the retailer or *subjobber* ~~[sub-jobber]~~ may reduce the amount paid per unit by seven and one-half percent (7.5%).
- (3) (a) The taxes imposed by this section may be paid in three (3) installments. The first installment, in an amount equal to at least one-third (1/3) of the total amount due, shall be remitted with the return provided by the department on or before July 10, 2018. The second installment, in an amount that brings the total amount paid to at least two-thirds (2/3) of the total amount due, shall be remitted on or before August 10, 2018. The third installment, in an amount equal to the remaining balance, shall be remitted on or before September 10, 2018.
- (b) Interest shall not be imposed against any outstanding installment payment not yet due from any retailer, *subjobber* ~~[sub-jobber]~~, resident wholesaler, nonresident wholesaler, or unclassified acquirer who files the return and makes payments as required under this section.
- (c) Any retailer, *subjobber* ~~[sub-jobber]~~, resident wholesaler, nonresident wholesaler, or unclassified acquirer who fails to file a return or make a payment on or before the dates provided in this section shall, in addition to the tax, pay interest at the tax interest rate as defined in KRS 131.010(6) from the date on which the return was required to be filed.

➔Section 40. KRS 138.146 is amended to read as follows:

- (1) The cigarette tax shall be due when any licensed wholesaler or unclassified acquirer takes possession within this state of untax-paid cigarettes.
- (2) (a) The cigarette tax shall be paid by the purchase of stamps by a resident wholesaler within forty-eight (48) hours after the wholesaler receives the cigarettes.
- (b) A stamp shall be affixed to each package of an aggregate denomination not less than the amount of the cigarette tax on the package.
- (c) The affixed stamp shall be prima facie evidence of payment of the cigarette tax.
- (d) Unless stamps have been previously affixed, they shall be affixed by each resident wholesaler prior to the delivery of any cigarettes to a retail location or any person in this state.
- (e) The evidence of cigarette tax payment shall be affixed to each individual package of cigarettes by a nonresident wholesaler prior to the introduction or importation of the cigarettes into the territorial limits of this state.
- (f) The evidence of cigarette tax payment shall be affixed by an unclassified acquirer within twenty-four (24) hours after the cigarettes are received by the unclassified acquirer.
- (3) (a) The department shall, by *an administrative regulation promulgated in accordance with KRS Chapter 13A*, prescribe the form of cigarette tax evidence, the method and manner of the sale and distribution of cigarette tax evidence, and the method and manner that tax evidence shall be affixed to the cigarettes.
- (b) All cigarette tax evidence prescribed by the department shall be designed and furnished in a fashion to permit identification of the person that affixed the cigarette tax evidence to the particular package of cigarettes, by means of numerical rolls or other mark on the cigarette tax evidence.
- (c) The department shall maintain for at least three (3) years information identifying the person that affixed the cigarette tax evidence to each package of cigarettes. This information shall not be kept confidential or exempt from disclosure to the public through open records.
- (4) (a) Units of cigarette tax evidence shall be sold at their face value, but the department shall allow as compensation to any licensed wholesaler an amount of tax evidence equal to a proportionate rate of one and one-half cents (\$0.015) on each twenty (20) cigarettes.
- (b) The department shall have the power to withhold compensation as provided in paragraph (a) of this subsection from any licensed wholesaler for failure to abide by any provisions of KRS 138.130 to 138.205 or any administrative regulations promulgated thereunder. Any refund or credit for unused cigarette tax evidence shall be reduced by the amount allowed as compensation at the time of purchase.

- (5) (a) Payment for units of cigarette tax evidence shall be made at the time the units are sold, unless the licensed wholesaler:
1. Has filed with the department a bond, issued by a corporation authorized to do surety business in Kentucky, in an amount:
 - a. Determined by the department; or
 - b.
 - i. Not less than the monthly average of payments by the wholesaler for the units of cigarette tax evidence purchased in the immediately preceding calendar year, which may be delayed under paragraph (b) of this subsection; and
 - ii. No greater than ten million dollars (\$10,000,000); and
 2. Has registered and agrees to make the payment of tax to the department electronically.
- ~~{At no time shall }~~The licensed wholesaler **shall not** be allowed to delay any payment for units of cigarette tax evidence, including tax, penalty, interest, or collection fees, which would exceed the amount of bond filed with the department.
- (b) Except as provided in paragraph (c) of this subsection, if the licensed wholesaler qualifies under paragraph (a) of this subsection, the licensed wholesaler shall have ten (10) days from the date of purchase to remit payment of cigarette tax, without the assessment of civil penalties under KRS 131.180 or interest under KRS 131.183 during the ten (10) day period.
- (c) 1. The ten (10) day payment period under paragraph (b) of this subsection shall not apply to the payment for units of cigarette tax evidence during the last ten (10) days of the month of June during each fiscal year.
2. All payments for units of cigarette tax evidence made under paragraph (b) of this subsection during the month of June shall be made the earlier of:
- a. The ten (10) day period; or
 - b. June 25.
- (d) If the licensed wholesaler does not make the payment of cigarette tax within the ten (10) day period, or within the period of time under paragraph (c) of this subsection, the department shall:
1. Revoke the license required under KRS 138.195;
 2. Issue a demand for payment in an amount equal to the cigarette tax evidence purchased, plus all penalties, interest, and collection fees applicable, up to the amount of the required bond; and
 3. Require immediate payment of the bond.
- (6) (a) The bond required under subsection (5) of this section shall be on a form and with a surety approved by the department.
- (b) The licensed wholesaler shall be named as the principal obligor and the department shall be named as the obligee within the bond.
- (c) The bond shall be conditioned upon the payment by the licensed wholesaler of all cigarette tax imposed by the Commonwealth.
- (d) The provisions of KRS 131.110 shall not apply to the demand for payment required under subsection (5)(c)2. of this section.
- (7) (a) ~~{No }~~Tax evidence **shall not**~~{may }~~ be affixed~~{, }~~ or used in any way~~{, }~~ by any person other than the person purchasing the **tax** evidence from the department.
- (b) Tax evidence **shall**~~{may }~~ not be transferred or negotiated, and **shall**~~{may }~~ not, by any scheme or device, be given, bartered, sold, traded, or loaned to any other person.
- (c) Unaffixed tax evidence may be returned to the department for credit or refund for any reason satisfactory to the department.

- (8) (a) In the event any retailer ~~takes~~~~receives into his~~ possession of cigarettes to which evidence of Kentucky tax payment is not properly affixed, the retailer shall, within twenty-four (24) hours, notify the department of the receipt.
- (b) The notification to the department shall be in writing, stating the name of the person from whom the cigarettes were received and the quantity of those cigarettes.
- (c) The written notice may be:
1. Given to any field agent of the department; or
 2. Directed to the commissioner of the Department of Revenue, Frankfort, Kentucky.
- (d) If the notice is given by means of the United States mail, it shall be sent by certified mail.
- (e) Any ~~such~~ cigarettes *to which evidence of Kentucky tax payment is not properly affixed* shall be retained by the retailer, and not sold, for a period of fifteen (15) days after giving the notice provided in this subsection.
- (f) The retailer may, at *the retailer's*~~his~~ option, pay the tax due on those cigarettes according to administrative regulations prescribed by the department, and proceed to sell those cigarettes after the payment.
- (9) (a) Cigarettes stamped with the cigarette tax evidence of another state shall at no time be commingled with cigarettes on which the Kentucky cigarette tax evidence has been affixed.
- (b) Any licensed wholesaler, licensed *subjobber*~~sub-jobber~~, or licensed vending machine operator may hold cigarettes stamped with the tax evidence of another state for any period of time, subsection (2) of this section notwithstanding.

➔Section 41. KRS 138.195 is amended to read as follows:

- (1) (a) ~~A~~~~No~~ person other than a manufacturer shall *not* acquire cigarettes in this state on which the Kentucky cigarette tax has not been paid, nor act as a resident wholesaler, nonresident wholesaler, vending machine operator, *subjobber*~~sub-jobber~~, transporter or unclassified acquirer of such cigarettes without first obtaining a license from the department as *provided*~~set out~~ in this section.
- (b) ~~A~~~~No~~ person shall *not* act as a distributor of tobacco products or vapor products without first obtaining a license from the department as *provided*~~set out~~ in this section.
- (c) ~~An~~~~For licenses effective for periods beginning on or after July 1, 2015, no~~ individual, entity, or any other group or combination acting as a unit *shall not*~~may~~ be eligible to obtain a license under this section if the individual, or any partner, director, principal officer, or manager of the entity or any other group or combination acting as a unit has been convicted of or entered a plea of guilty or nolo contendere to:
1. A crime relating to the reporting, distribution, sale, or taxation of cigarettes, tobacco products, or vapor products; or
 2. A crime involving fraud, falsification of records, improper business transactions or reporting;
- for ten (10) years from the expiration of probation or final discharge from parole or maximum expiration of sentence.
- (2) (a) Each resident wholesaler shall secure a separate license for each place of business at which cigarette tax evidence is affixed or at which cigarettes on which the Kentucky cigarette tax has not been paid are received.
- (b) Each nonresident wholesaler shall secure a separate license for each place of business at which evidence of Kentucky cigarette tax is affixed or from where Kentucky cigarette tax is reported and paid.
- (c) Each license shall be secured on or before July 1 of each year.
- (d) Each licensee shall pay the sum of five hundred dollars (\$500) for each year, or portion thereof, for which each license is secured.
- (3) (a) Each *subjobber*~~sub-jobber~~ shall secure a separate license for each place of business from which cigarettes, upon which the cigarette tax has been paid, are made available to retailers, whether the place of business is located within or without this state.

- (b) Each license shall be secured on or before July 1 of each year.
 - (c) Each licensee shall pay the sum of five hundred dollars (\$500) for each year, or portion thereof, for which each license is secured.
- (4) (a) Each vending machine operator shall secure a license for the privilege of dispensing cigarettes, *tobacco products, or vapor products by vending machines* on which the ~~cigarette~~ tax *imposed by Section 38 of this Act is required to be* ~~has been~~ paid ~~by vending machines~~.
- (b) Each license shall be secured on or before July 1 of each year.
 - (c) Each licensee shall pay the sum of twenty-five dollars (\$25) for each year, or portion thereof, for which each license is secured.
 - (d) ~~A~~~~No~~ vending machine shall *not* be operated within this Commonwealth without having prominently affixed thereto the name of its operator and the license number assigned to that operator by the department.
 - (e) The department shall prescribe by administrative regulation the manner in which the information shall be affixed to the vending machine.
- (5) (a) Each transporter shall secure a license for the privilege of transporting cigarettes within this state.
- (b) Each license shall be secured on or before July 1 of each year.
 - (c) Each licensee shall pay the sum of fifty dollars (\$50) for each year, or portion thereof, for which each license is secured.
 - (d) ~~A~~~~No~~ transporter shall *not* transport any cigarettes without having in actual possession an invoice or bill of lading therefor, showing:
 1. The name and address of the consignor and consignee;
 2. The date acquired by the transporter;
 3. The name and address of the transporter;
 4. The quantity of cigarettes being transported; and
 5. The license number assigned to the transporter by the department.
- (6) (a) Each unclassified acquirer shall secure a license for the privilege of acquiring cigarettes on which the cigarette tax has not been paid.
- (b) ~~Each~~~~The~~ license shall be secured on or before July 1 of each year.
 - (c) Each licensee shall pay the sum of fifty dollars (\$50) for each year, or portion thereof, for which the license is secured.
- (7) (a) 1. Each distributor shall secure a license for the privilege of selling tobacco products or vapor products in this state. Each license shall be secured on or before July 1 of each year, and each licensee shall pay the sum of five hundred dollars (\$500) for each year, or portion thereof, for which the license is secured.
2. a. A resident wholesaler, nonresident wholesaler, or subjobber licensed under this section may also obtain and maintain a distributor's license at each place of business at no additional cost each year.
 - b. An unclassified acquirer licensed under this section may also obtain and maintain a distributor's license for the privilege of selling tobacco products or vapor products in this state. The license shall be secured on or before July 1 of each year, and each licensee shall pay the sum of four hundred fifty dollars (\$450) for each year, or portion thereof, for which the license is secured.
 3. The department may, upon application, grant a distributor's license to a person other than a retailer and who is not otherwise required to hold a distributor's license under this paragraph. If the department grants the license, the licensee shall pay the sum of five hundred dollars (\$500) for each year, or portion thereof, for which the license is secured, and the licensee shall be

subject to the excise tax in the same manner and subject to the same requirements as a distributor required to be licensed under this paragraph.

- (b) The department may, upon application, grant a retail distributor's license to a retailer for the privilege of purchasing tobacco products or vapor products from a distributor not licensed by the department. If the department grants the license, the licensee shall pay the sum of one hundred dollars (\$100) for each year, or portion thereof, for which the license is secured.
- (8) ~~Nothing in~~ KRS 138.130 to 138.205 shall **not** be construed to prevent the department from requiring a person to purchase more than one (1) license if the nature of that person's business is so diversified as to justify the requirement.
- (9) (a) The department may, by administrative regulation *promulgated in accordance with KRS Chapter 13A*, require any person requesting a license or holding a license under this section to supply such information concerning his or her business, sales or any privilege exercised, as is deemed reasonably necessary for the regulation of the licensees, and to protect the revenues of the state.
- (b) Failure on the part of the applicant or licensee to:
1. Comply with KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or 248.754 or any administrative regulations promulgated thereunder; or
 2. Permit an inspection of premises, machines, or vehicles by an authorized agent of the department at any reasonable time;
- shall be grounds for the denial or revocation of any license issued by the department, after due notice and a hearing by the department.
- (c) The commissioner may assign a time and place for the hearing and may appoint a conferee who shall conduct a hearing, receive evidence, and hear arguments.
- (d) The conferee shall thereupon file a report with the commissioner together with a recommendation as to the denial or revocation of the license.
- (e) From any denial or revocation made by the commissioner on the report, the licensee may prosecute an appeal to the Board of Tax Appeals pursuant to KRS 49.220.
- (f) Any person whose license has been revoked for the willful violation of any provision of KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or 248.754 or any administrative regulations promulgated thereunder shall not be entitled to any license provided for in this section, or have any interest in any license, either disclosed or undisclosed, either as an individual, partnership, corporation or otherwise, for a period of two (2) years after the revocation.
- (10) ~~A~~~~No~~ license issued ~~under~~~~pursuant to~~ this section shall **not** be transferable or negotiable, except that a license may be transferred between an individual and a corporation if that individual is the exclusive owner of that corporation, or between a subsidiary corporation and its parent corporation.
- (11) Every manufacturer located or doing business in this state and the first person to import cigarettes into this state shall keep written records of all shipments of cigarettes to persons within this state, and shall submit to the department monthly reports of ~~the~~~~such~~ shipments. All books, records, invoices, and documents required by this section shall be preserved in a form prescribed by the department for not less than four (4) years from the making of the records unless the department authorizes, in writing, the destruction of the records.
- (12) ~~A~~~~No~~ person licensed under this section **other than a**~~except~~ nonresident **wholesaler**~~wholesalers~~ shall either sell to or purchase from any other such licensee untax-paid cigarettes.
- (13) (a) Licensed distributors of tobacco products or vapor products shall pay and report the tobacco products tax or vapor products tax on or before the twentieth day of the calendar month following the month in which the possession or title of the tobacco products or vapor products are transferred from the licensed distributor to retailers or consumers in this state, as the case may be.
- (b) Retailers who have applied for and been granted a retail distributor's license for the privilege of purchasing tobacco products or vapor products from a person who is not a distributor licensed under KRS 138.195(7)(a) shall report and pay the tobacco products tax or vapor products tax on or before the twentieth day of the calendar month following the month in which the products are acquired by the licensed retail distributors.

- (c) If the distributor or retail distributor timely reports and pays the tax due, the distributor or retail distributor may deduct an amount equal to one percent (1%) of the tax due.
 - (d) The department shall promulgate administrative regulations *in accordance with KRS Chapter 13A to prescribe*~~setting forth~~ the details of the reporting requirements.
- (14) A tax return shall be filed for each reporting period whether or not tax is due.
- (15) Any license issued by the department under this section shall not be construed to waive or condone any violation that occurred or may have occurred prior to the issuance of the license and shall not prevent subsequent proceedings against the licensee.
- (16) (a) The department may deny the issuance of a license under this section if:
- 1. The applicant has made any material false statement on the application for the license; or
 - 2. The applicant has violated any provision of KRS 131.600 to 131.630, 138.130 to 138.205, 248.754, or 248.756 or any administrative regulations promulgated thereunder.
- (b) If the department denies the applicant a license under this section, the department shall notify the applicant of the grounds for the denial, and the applicant may request a hearing and appeal the denial as provided in subsection (9) of this section.

➔Section 42. KRS 138.349 is amended to read as follows:

No person shall execute a gasoline or special fuel refund invoice, as described in KRS 138.351, who is not a dealer, as defined in KRS 138.210 or a *subjobber*~~sub-jobber~~ duly authorized by a licensed dealer, to execute refund invoices as his agent. In no instance shall refund invoices be executed for purchases from retail filling stations.

➔Section 43. KRS 141.0205 is amended to read as follows:

If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of the credits shall be determined as follows:

- (1) The nonrefundable business incentive credits against the tax imposed by KRS 141.020 shall be taken in the following order:
- (a) The limited liability entity tax credit permitted by KRS 141.0401;
 - (b) The economic development credits computed under KRS 141.347, 141.381, 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and 154.12-2088;
 - (c) The qualified farming operation credit permitted by KRS 141.412;
 - (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a) *and Section 59 of this Act*;
 - (e) The health insurance credit permitted by KRS 141.062;
 - (f) The tax paid to other states credit permitted by KRS 141.070;
 - (g) The credit for hiring the unemployed permitted by KRS 141.065;
 - (h) The recycling or composting equipment credit permitted by KRS 141.390;
 - (i) The ~~tax~~ credit for cash contributions in investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;
 - (j) The research facilities credit permitted by KRS 141.395;
 - (k) The employer High School Equivalency Diploma program incentive credit permitted under KRS 151B.402;
 - (l) The voluntary environmental remediation credit permitted by KRS 141.418;
 - (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - (n) The clean coal incentive credit permitted by KRS 141.428;
 - (o) The ethanol credit permitted by KRS 141.4242;
 - (p) The cellulosic ethanol credit permitted by KRS 141.4244;

- (q) The energy efficiency credits permitted by KRS 141.436;
 - (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
 - (s) The Endow Kentucky credit permitted by KRS 141.438;
 - (t) The New Markets Development Program credit permitted by KRS 141.434;
 - (u) The distilled spirits credit permitted by KRS 141.389;
 - (v) The angel investor credit permitted by KRS 141.396;
 - (w) The film industry credit permitted by KRS 141.383 for applications approved on or after April 27, 2018, but before January 1, 2022;
 - (x) The inventory credit permitted by KRS 141.408;
 - (y) The renewable chemical production credit permitted by KRS 141.4231; and
 - (z) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;
- (2) After the application of the nonrefundable credits in subsection (1) of this section, the nonrefundable personal tax credits against the tax imposed by KRS 141.020 shall be taken in the following order:
- (a) The individual credits permitted by KRS 141.020(3);
 - (b) The credit permitted by KRS 141.066;
 - (c) The tuition credit permitted by KRS 141.069;
 - (d) The household and dependent care credit permitted by KRS 141.067;
 - (e) The income gap credit permitted by KRS 141.066; and
 - (f) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS 141.522;
- (3) After the application of the nonrefundable credits provided for in subsection (2) of this section, the refundable credits against the tax imposed by KRS 141.020 shall be taken in the following order:
- (a) The individual withholding tax credit permitted by KRS 141.350;
 - (b) The individual estimated tax payment credit permitted by KRS 141.305;
 - (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and 171.397(1)(b) **and Section 59 of this Act**;
 - (d) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications approved prior to April 27, 2018, or on or after January 1, 2022;
 - (e) The development area ~~tax~~ credit permitted by KRS 141.398;
 - (f) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
 - (g) The pass-through entity tax credit permitted by KRS 141.209;
- (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the tax imposed by KRS 141.040;
- (5) The following nonrefundable credits shall be applied against the sum of the tax imposed by KRS 141.040 after subtracting the credit provided for in subsection (4) of this section, and the tax imposed by KRS 141.0401 in the following order:
- (a) The economic development credits computed under KRS 141.347, 141.381, 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and 154.12-2088;
 - (b) The qualified farming operation credit permitted by KRS 141.412;
 - (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a) **and Section 59 of this Act**;
 - (d) The health insurance credit permitted by KRS 141.062;
 - (e) The unemployment credit permitted by KRS 141.065;
 - (f) The recycling or composting equipment credit permitted by KRS 141.390;

- (g) The coal conversion credit permitted by KRS 141.041;
 - (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods ending prior to January 1, 2008;
 - (i) The ~~tax~~ credit for cash contributions to investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;
 - (j) The research facilities credit permitted by KRS 141.395;
 - (k) The employer High School Equivalency Diploma program incentive credit permitted by KRS 151B.402;
 - (l) The voluntary environmental remediation credit permitted by KRS 141.418;
 - (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - (n) The clean coal incentive credit permitted by KRS 141.428;
 - (o) The ethanol credit permitted by KRS 141.4242;
 - (p) The cellulosic ethanol credit permitted by KRS 141.4244;
 - (q) The energy efficiency credits permitted by KRS 141.436;
 - (r) The ENERGY STAR home or ENERGY STAR manufactured home credit permitted by KRS 141.437;
 - (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
 - (t) The railroad expansion credit permitted by KRS 141.386;
 - (u) The Endow Kentucky credit permitted by KRS 141.438;
 - (v) The New Markets Development Program credit permitted by KRS 141.434;
 - (w) The distilled spirits credit permitted by KRS 141.389;
 - (x) The film industry credit permitted by KRS 141.383 for applications approved on or after April 27, 2018, but before January 1, 2022;
 - (y) The inventory credit permitted by KRS 141.408;
 - (z) The renewable chemical production ~~tax~~ credit permitted by KRS 141.4231;
 - (aa) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS 141.522; and
 - (ab) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391; and
- (6) After the application of the nonrefundable credits in subsection (5) of this section, the refundable credits shall be taken in the following order:
- (a) The corporation estimated tax payment credit permitted by KRS 141.044;
 - (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and 171.397(1)(b) *and Section 59 of this Act*;
 - (c) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications approved prior to April 27, 2018, or on or after January 1, 2022;
 - (d) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
 - (e) The pass-through entity tax credit permitted by KRS 141.209.

➔Section 44. 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 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 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;

11. KRS 141.3841 for purposes of the selling farmer credit;
 12. KRS 141.4231 for purposes of the renewable chemical production credit;
 13. KRS 141.524 for purposes of the Education Opportunity Account Program credit;
 14. KRS 141.398 for purposes of the development area credit;
 15. KRS 139.516 for purposes of the sales and use tax exemptions for the commercial mining of cryptocurrency;
 16. KRS 141.419 for purposes of the decontamination credit;
 17. KRS 141.391 for purposes of the qualified broadband investment credit;
 18. KRS 139.499 for purposes of the sales and use tax exemptions for a qualified data center project;~~and~~
 19. KRS 139.5325 for purposes of the sales and use tax incentive for a qualifying attraction;
 20. *Section 46 of this Act for purposes of the film and motion picture sales tax exemption;*
 21. *Section 53 of this Act for purposes of the hiring of unemployed persons credit;*
 22. *Section 54 of this Act for the purposes of the qualified farming operations credit;*
 23. *Section 56 of this Act for purposes of the High School Equivalency Diploma Incentives credit; and*
 24. *Section 103 of this Act for purposes of refunds issued for coal transported directly to a market outside of the United States, but within North America and for coal transported directly to a market outside of North America.*
- (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 45. KRS 160.6131 is amended to read as follows:

As used in KRS 160.613 to 160.617:

- (1) "Department" means the Department of Revenue;
- (2) "Communications service" means the provision, transmission, conveyance, or routing, for consideration, of voice, data, video, or any other information signals of the purchaser's choosing to a point or between or among points specified by the purchaser, by or through any electronic, radio, light, fiber optic, or similar medium or method now in existence or later devised.
 - (a) "Communications service" includes but is not limited to:

1. Local and long-distance telephone services;
 2. Telegraph and teletypewriter services;
 3. Postpaid calling services;
 4. Private communications services involving a direct channel specifically dedicated to a customer's use between specific points;
 5. Channel services involving a path of communications between two (2) or more points;
 6. Data transport services involving the movement of encoded information between points by means of any electronic, radio, or other medium or method;
 7. Caller ID services, ring tones, voice mail, and other electronic messaging services;
 8. Mobile wireless telecommunications service and fixed wireless service as defined in KRS 139.195; and
 9. Voice over Internet Protocol (VOIP).
- (b) "Communications service" does not include any of the following if the charges are separately itemized on the bill provided to the purchaser:
1. Information services;
 2. Internet access as defined in 47 U.S.C. sec. 151;
 3. Installation, reinstallation, or maintenance of wiring or equipment on a customer's premises. This exclusion does not apply to any charge attributable to the connection, movement, change, or termination of a communications service;
 4. The sale of directory and other advertising and listing services;
 5. Billing and collection services provided to another communications service provider;
 6. Cable service, satellite broadcast, satellite master antenna television, wireless cable service, including direct-to-home satellite service as defined in Section 602 of the federal Telecommunications Act of 1996, and Internet protocol television provided through wireline facilities without regard to delivery technology;
 7. The sale of communications service to a communications provider that is buying the communications service for sale or incorporation into a communications service for sale, including:
 - a. Carrier access charges, excluding user access fees;
 - b. Right of access charges;
 - c. Interconnection charges paid by the provider of mobile telecommunications services or other communications providers;
 - d. Charges for the sale of unbundled network elements as defined in 47 U.S.C. sec. 153(29) on January 1, 2001, to which access is provided on an unbundled basis in accordance with 47 U.S.C. sec. 251(c)(3); and
 - e. Charges for use of facilities for providing or receiving communications service;
 8. ~~The sale of communications services provided to the public by means of a pay phone;~~
 9. ~~Prepaid calling services and prepaid wireless calling service;~~
 9. ~~10.~~ Interstate telephone service, if the interstate charge is separately itemized for each call; and
 10. ~~11.~~ If the interstate calls are not itemized, the portion of telephone charges identified and set out on the customer's bill as interstate as supported by the provider's books and records;
- (3) "Gross cost" means the total cost of utility services including the cost of the tangible personal property and any services associated with obtaining the utility services regardless from whom purchased;
- (4) "Gross receipts" means all amounts received in money, credits, property, or other money's worth in any form, as consideration for the furnishing of utility services;

- (5) "Utility services" means the furnishing of communications services, electric power, water, and natural, artificial, and mixed gas;
- (6) "Cable service" has the same meaning as in KRS 136.602;
- (7) "Satellite broadcast and wireless cable service" has the same meaning as in KRS 136.602;
- (8) "Ring tones" has the same meaning as in KRS 136.602;
- (9) "Multichannel video programming service" has the same meaning as in KRS 136.602;
- (10) "Industrial processing" has the same meaning as in KRS 139.010;
- (11) "Manufacturing" has the same meaning as in KRS 139.010;
- (12) "Plant facility" has the same meaning as in KRS 139.010;
- (13) "Commercial mining of cryptocurrency" has the same meaning as in KRS 139.516; and
- (14) "Colocation facility" has the same meaning as in KRS 139.516.

➔Section 46. KRS 139.538 is amended to read as follows:

- (1) It is the intent and purpose of the General Assembly in enacting this section and KRS 139.990(5), to encourage the motion picture industry to choose locations in the Commonwealth for the filming or producing of motion pictures, by providing an exemption from sales and use taxes. The exemption is accomplished by granting a refundable credit for sales and use taxes paid on purchases made in connection with the filming or producing of motion pictures in Kentucky.
- (2) (a) On or after **July 1, 2030**~~[April 27, 2018, and until July 1, 2022]~~, the department shall not accept any new applications as provided by subsection (4) of this section.
- (b) On or before **November 1, 2026, and each November 1, thereafter as long as this refundable credit is available**~~[June 1, 2019]~~, the department shall **report to the Legislative Research Commission for referral** ~~[provide the following information]~~ to the Interim Joint Committee on Appropriations and Revenue for all fiscal years data is available:
 - 1. The name **and address** of the motion picture company;
 - 2. **By county**, the filming location or locations in this state;
 - 3. A brief description of the production **or productions**;
 - 4. The amount of sales and use tax refunded **to the motion picture company**~~;~~~~and~~
 - 5. **The total number of motion picture companies claiming the credit; and**
 - 6. The total amount of all sales and use tax refunded to motion picture production companies during each fiscal year reported.
- (c) **The information required to be reported under this section 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.**
- (3) As used in this section and KRS 139.990(5):
 - (a) "Financial institution" means any bank or savings and loan institution in the Commonwealth which carries FDIC or FSLIC insurance;
 - (b) "Motion picture production company" means a company engaged in the business of producing motion pictures intended for a theatrical release or for exhibition on national television either by a network or for national syndication, or television programs which will serve as a pilot for or a segment of a nationally televised dramatic series, either by a network or for national syndication; and
 - (c) "Secretary" means the secretary of the Kentucky Finance and Administration Cabinet.
- (4) Any motion picture production company that intends to film all or parts of a motion picture in the Commonwealth and desires to receive the credit provided for in subsection (7) of this section shall, prior to the commencement of filming:

- (a) Provide the department with the address of a Kentucky location at which records of expenditures qualifying for the tax credit will be maintained, and with the name of the individual maintaining these records; and
 - (b) File an application for the tax credit within sixty (60) days after the completion of filming or production in Kentucky. The application shall include a final expenditure report providing documentation for expenditures in accordance with administrative regulations promulgated by the department.
- (5) To qualify as a basis for the financial incentive, expenditures must be made by check drawn upon any Kentucky financial institution.
 - (6) The twelve (12) month period during which expenditures may qualify for the tax credit shall begin on the date of the earliest expenditure reported.
 - (7) Any motion picture production company which films or produces one (1) or more motion pictures in the Commonwealth during any twelve (12) month period shall, upon making application therefor and meeting the other requirements prescribed in this section, be entitled to a refundable tax credit equal to the amount of Kentucky sales and use tax paid for purchases made in connection with the filming or production of a motion picture.
 - (8) The department shall, within sixty (60) days following the receipt of an application for a credit for sales and use tax paid, calculate the total expenditures of the motion picture production company for which there is documentation for funds expended in the Commonwealth, calculate the amount of credit to which the applicant is entitled, and certify the amount of the credit to the secretary. In the case of an audit, as provided for in subsection (13) of this section, the department shall certify the amount of the credit due to the secretary within one hundred eighty (180) days following the receipt of the motion picture production company's application.
 - (9) Upon receipt of the certification of the amount of credit from the department, the secretary shall cause the refund of sales taxes paid to be remitted to the motion picture production company. For purposes of payment and funding thereof, the credit shall be paid in the same manner as other claims on the State Treasury are paid. They shall not be charged against any appropriation but shall be deducted from tax receipts for the current fiscal year.
 - (10) The sales and use taxes paid by the motion picture production company for which a refundable tax credit is granted shall be deemed not to have been legally paid into the State Treasury, and the refund of the credit shall not be in violation of Section 59 of the Kentucky Constitution.
 - (11) Any tax credit or part thereof paid to a motion picture production company as a result of error by the department shall be repaid by such company to the secretary.
 - (12) Any tax credit or part thereof paid to a motion picture production company as a result of error or fraudulent statements made by the motion picture production company shall be repaid by such company to the secretary, together with interest, at the tax interest rate provided for in KRS 131.010(6).
 - (13) The department may require that reported expenditures and the application for the tax credit from a motion picture production company be subjected to an audit by the department auditors to verify expenditures.
 - (14) For companies in the business of producing films or television shows other than those which would qualify them for the credit under the definition of "motion picture production company," the department may require separate accounting records for the reporting of expenditures made in connection with the application for a refundable tax credit.
 - (15) The department may promulgate appropriate administrative regulations to carry out the intent and purposes of this section.

➔Section 47. KRS 132.096 is amended to read as follows:

The following classes of property shall be exempt from state and local ad valorem taxes, including the county, city, school, and other taxing district in which it has a taxable situs:

- (1) Farm implements and farm machinery owned by or leased to a person actually engaged in farming and used in his or her farm operations;
- (2) Livestock, ratite birds, and domestic fowl;

- (3) Tangible personal property located in a foreign trade zone established pursuant to 19 U.S.C. secs. 81a to 81u, provided that the zone is activated in accordance with the regulations of the United States Customs Service and the Foreign Trade Zones Board;
- (4) Property that is certified as an alcohol production facility as defined in KRS 247.910;
- (5) ~~Property that is certified as a fluidized bed energy production facility as defined in KRS 211.390;~~
- ~~(6)~~ Computer software, except prewritten computer software as defined in KRS 139.010;
- ~~(6)~~~~(7)~~ Trucks, tractors, and buses used on routes or in systems that are partly within and partly outside this state, and that are subject to the fee imposed by KRS 136.188;
- ~~(7)~~~~(8)~~ Semitrailers and trailers, as defined in KRS 189.010, if the semitrailers or trailers are used on a route or in a system that is partly within and partly outside this state. Semitrailers or trailers required to be registered under KRS 186.655 that are used only in this state shall be subject to the ad valorem tax imposed by KRS 132.487;
- ~~(8)~~~~(9)~~ All intangible personal property, except intangible personal property assessed under KRS 132.030 or KRS Chapter 136. Nothing in this subsection shall prohibit local taxation of franchises of:
- (a) Corporations;
 - (b) Financial institutions as provided in KRS 136.575; or
 - (c) Domestic life insurance companies;
- ~~(9)~~~~(10)~~ All real and personal property owned by another state or a political subdivision of another state that is used exclusively for public purposes, if a comparable exemption is provided in that state or political subdivision for property owned by the Commonwealth of Kentucky or its political subdivisions;
- ~~(10)~~~~(11)~~ Every fraternal benefit society organized or licensed under Subtitle 29 of KRS Chapter 304 that is a charitable and benevolent institution, and its funds shall be exempt from all state, county, district, city, and school taxes, other than taxes on real property and office equipment; and
- ~~(11)~~~~(12)~~ (a) Any bridge built by an adjoining state, by the government of the United States, or by any commission created by an Act of Congress, over a boundary line stream between this state and an adjoining state, which is:
- 1. Not operated for profit and, if it connects with a primary highway of this state, is declared to be public property used for public purposes; and
 - 2. Exempt from taxation unless the adjoining state, or other public body constructing the bridge, taxes similar bridges built by this Commonwealth in like manner.
- (b) The issuance of bonds for the purpose of amortizing the cost of construction of the bridges, as described in paragraph (a) of this subsection, shall not affect the tax exemption granted.

➔Section 48. KRS 139.480 is amended to read as follows:

Any other provision of this chapter to the contrary notwithstanding, the terms "sale at retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, ~~do not~~ shall not include the sale, use, storage, or other consumption of:

- (1) Locomotives or rolling stock, including materials for the construction, repair, or modification thereof, or fuel or supplies for the direct operation of locomotives and trains, used or to be used in interstate commerce;
- (2) Coal for the manufacture of electricity;
- (3) (a) All energy or energy-producing fuels used in the course of manufacturing, processing, mining, or refining and any related distribution, transmission, and transportation services for this energy that are billed to the user, to the extent that the cost of the energy or energy-producing fuels used, and related distribution, transmission, and transportation services for this energy that are billed to the user exceed three percent (3%) of the cost of production.
- (b) Cost of production shall be computed on the basis of a plant facility, which *includes* ~~shall include~~ all operations within the continuous, unbroken, integrated manufacturing or industrial processing process that ends with a product packaged and ready for sale.

- (c) A person who performs a manufacturing or industrial processing activity for a fee and does not take ownership of the tangible personal property that is incorporated into, or becomes the product of, the manufacturing or industrial processing activity is a toller. For periods on or after July 1, 2018, the costs of the tangible personal property shall be excluded from the toller's cost of production at a plant facility with tolling operations in place as of July 1, 2018.
- (d) For plant facilities that begin tolling operations after July 1, 2018, the costs of tangible personal property shall be excluded from the toller's cost of production if the toller:
 - 1. Maintains a binding contract for periods after July 1, 2018, that governs the terms, conditions, and responsibilities with a separate legal entity, which holds title to the tangible personal property that is incorporated into, or becomes the product of, the manufacturing or industrial processing activity;
 - 2. Maintains accounting records that show the expenses it incurs to fulfill the binding contract that include but are not limited to energy or energy-producing fuels, materials, labor, procurement, depreciation, maintenance, taxes, administration, and office expenses;
 - 3. Maintains separate payroll, bank accounts, tax returns, and other records that demonstrate its independent operations in the performance of its tolling responsibilities;
 - 4. Demonstrates one (1) or more substantial business purposes for the tolling operations germane to the overall manufacturing, industrial processing activities, or corporate structure at the plant facility. A business purpose is a purpose other than the reduction of sales tax liability for the purchases of energy and energy-producing fuels; and
 - 5. Provides information to the department upon request that documents fulfillment of the requirements in subparagraphs 1. to 4. of this paragraph and gives an overview of its tolling operations with an explanation of how the tolling operations relate and connect with all other manufacturing or industrial processing activities occurring at the plant facility;
- (4) Livestock of a kind the products of which ordinarily constitute food for human consumption, provided the sales are made for breeding or dairy purposes and by or to a person regularly engaged in the business of farming;
- (5) Poultry for use in breeding or egg production;
- (6) Farm work stock for use in farming operations;
- (7) Seeds, the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business, and commercial fertilizer to be applied on land, the products from which are to be used for food for human consumption or are to be sold in the regular course of business; provided the sales are made to farmers who are regularly engaged in the occupation of tilling and cultivating the soil for the production of crops as a business, or who are regularly engaged in the occupation of raising and feeding livestock or poultry or producing milk for sale; and provided further that tangible personal property so sold is to be used only by those persons designated above who are so purchasing;
- (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be used in the production of crops as a business, or in the raising and feeding of livestock or poultry, the products of which ordinarily constitute food for human consumption;
- (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the products of which ordinarily constitute food for human consumption;
- (10) Machinery for new and expanded industry;
- (11) Farm machinery. As used in this section, the term "farm machinery":
 - (a) Means machinery used exclusively and directly in the occupation of:
 - 1. Tilling the soil for the production of crops as a business;
 - 2. Raising and feeding livestock or poultry for sale; or
 - 3. Producing milk for sale;
 - (b) Includes machinery, attachments, and replacements therefor, repair parts, and replacement parts which are used or manufactured for use on, or in the operation of farm machinery and which are necessary to

the operation of the machinery, and are customarily so used, including but not limited to combine header wagons, combine header trailers, or any other implements specifically designed and used to move or transport a combine head; and

- (c) Does not include:
1. Automobiles;
 2. Trucks;
 3. Trailers, except combine header trailers; or
 4. Truck-trailer combinations;
- (12) Tombstones and other memorial grave markers;
- (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing, or handling. The exemption applies to the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;
- (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption shall apply to the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply but not be limited to vent board equipment, waterer and feeding systems, brooding systems, ventilation systems, alarm systems, and curtain systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;
- (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively and directly to:
- (a) Operate farm machinery as defined in subsection (11) of this section;
 - (b) Operate on-farm grain or soybean drying facilities as defined in subsection (13) of this section;
 - (c) Operate on-farm poultry or livestock facilities defined in subsection (14) of this section;
 - (d) Operate on-farm ratite facilities defined in subsection (23) of this section;
 - (e) Operate on-farm llama or alpaca facilities as defined in subsection (25) of this section; or
 - (f) Operate on-farm dairy facilities;
- (16) Textbooks, including related workbooks and other course materials, purchased for use in a course of study conducted by an institution which qualifies as a nonprofit educational institution under KRS 139.495. The term "course materials" means only those items specifically required of all students for a particular course but ~~does~~^{shall} not include notebooks, paper, pencils, calculators, tape recorders, or similar student aids;
- (17) Any property which has been certified as an alcohol production facility as defined in KRS 247.910;
- (18) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the direct operation of aircraft in interstate commerce and used exclusively for the conveyance of property or passengers for hire. Nominal intrastate use shall not subject the property to the taxes imposed by this chapter;
- (19) ~~Any property which has been certified as a fluidized bed energy production facility as defined in KRS 211.390;~~
- ~~(20)~~ (a) 1. Any property to be incorporated into the construction, rebuilding, modification, or expansion of a blast furnace or any of its components or appurtenant equipment or structures as part of an approved supplemental project, as defined ~~in~~^{by} KRS 154.26-010; and
2. Materials, supplies, and repair or replacement parts purchased for use in the operation and maintenance of a blast furnace and related carbon steel-making operations as part of an approved supplemental project, as defined ~~in~~^{by} KRS 154.26-010.
- (b) The exemptions provided in this subsection shall be effective for sales made:
1. On and after July 1, 2018; and
 2. During the term of a supplemental project agreement entered into pursuant to KRS 154.26-090;

- (20)~~(21)~~ Beginning on October 1, 1986, food or food products purchased for human consumption with food coupons issued by the United States Department of Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to be exempted by the Food Security Act of 1985 in order for the Commonwealth to continue participation in the federal food stamp program;
- (21)~~(22)~~ Machinery or equipment purchased or leased by a business, industry, or organization in order to collect, source separate, compress, bale, shred, or otherwise handle waste materials if the machinery or equipment is primarily used for recycling purposes;
- (22)~~(23)~~ Ratite birds and eggs to be used in an agricultural pursuit for the breeding and production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-products, and the following items used in this agricultural pursuit:
- (a) Feed and feed additives;
 - (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and
 - (c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to incubation systems, egg processing equipment, waterer and feeding systems, brooding systems, ventilation systems, alarm systems, and curtain systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;
- (23)~~(24)~~ Embryos and semen that are used in the reproduction of livestock, if the products of these embryos and semen ordinarily constitute food for human consumption, and if the sale is made to a person engaged in the business of farming;
- (24)~~(25)~~ Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for the breeding and production of hides, breeding stock, fiber and wool products, meat, and llama and alpaca by-products, and the following items used in this pursuit:
- (a) Feed and feed additives;
 - (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and
 - (c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to waterer and feeding systems, ventilation systems, and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;
- (25)~~(26)~~ Baling twine and baling wire for the baling of hay and straw;
- (26)~~(27)~~ Water sold to a person regularly engaged in the business of farming and used in the:
- (a) Production of crops;
 - (b) Production of milk for sale; or
 - (c) Raising and feeding of:
 1. Livestock or poultry, the products of which ordinarily constitute food for human consumption; or
 2. Ratites, llamas, alpacas, ~~buffaloes~~~~buffalo~~, cervids or aquatic organisms;
- (27)~~(28)~~ ~~Buffaloes~~~~Buffalos~~ to be used as beasts of burden or in an agricultural pursuit for the production of hides, breeding stock, meat, and buffalo by-products, and the following items used in this pursuit:
- (a) Feed and feed additives;
 - (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and
 - (c) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. The exemption shall apply to waterer and feeding systems, ventilation systems, and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate

into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;

- ~~(28)~~~~(29)~~ Aquatic organisms sold directly to or raised by a person regularly engaged in the business of producing products of aquaculture, as defined in KRS 260.960, for sale, and the following items used in this pursuit:
- (a) Feed and feed additives;
 - (b) Water;
 - (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals; and
 - (d) On-farm facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities and, any gasoline, special fuels, liquefied petroleum gas, or natural gas used to operate the facilities. The exemption shall apply, but not be limited to: waterer and feeding systems; ventilation, aeration, and heating systems; processing and storage systems; production systems such as ponds, tanks, and raceways; harvest and transport equipment and systems; and alarm systems. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;
- ~~(29)~~~~(30)~~ Members of the genus cervidae permitted by KRS Chapter 150 that are used for the production of hides, breeding stock, meat, and cervid by-products, and the following items used in this pursuit:
- (a) Feed and feed additives;
 - (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and
 - (c) On-site facilities, including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities. In addition, the exemption shall apply whether or not the seller is under contract to deliver, assemble, and incorporate into real estate the equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facilities;
- ~~(30)~~~~(31)~~ (a) Repair or replacement parts for the direct operation or maintenance of a motor vehicle, including any towed unit, used exclusively in interstate commerce for the conveyance of property or passengers for hire, provided the motor vehicle is licensed for use on the highway and its declared gross vehicle weight with any towed unit is forty-four thousand and one (44,001) pounds or greater. Nominal intrastate use shall not subject the property to the taxes imposed by this chapter; and
- (b) Repair or replacement parts for the direct operation and maintenance of a motor vehicle operating under a charter bus certificate issued by the Transportation Cabinet under KRS Chapter 281, or under similar authority granted by the United States Department of Transportation.
 - (c) For the purposes of this subsection, "repair or replacement parts" means tires, brakes, engines, transmissions, drive trains, chassis, body parts, and their components. "Repair or replacement parts" ~~does~~~~shall~~ not include fuel, machine oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential to the operation of the motor vehicle itself, except when sold as part of the assembled unit, such as cigarette lighters, radios, lighting fixtures not otherwise required by the manufacturer for operation of the vehicle, or tool or utility boxes;
- ~~(31)~~~~(32)~~ Food donated by a retail food establishment or any other entity regulated under KRS 217.127 to a nonprofit organization for distribution to the needy;
- ~~(32)~~~~(33)~~ Drugs and over-the-counter drugs, as defined in KRS 139.472, that are purchased by a person regularly engaged in the business of farming and used in the treatment of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, ~~buffaloes~~~~buffalo~~, aquatic organisms, or cervids;
- ~~(33)~~~~(34)~~ (a) Building materials, fixtures, or supplies purchased by a construction contractor if:
1. Fulfilled by a construction contract for a sewer or water project with:
 - a. A municipally owned water utility organized under KRS Chapter 96;
 - b. A water district or water commission formed or organized under KRS Chapter 74;

- c. A sanitation district established under KRS Chapter 220 or formed pursuant to KRS Chapter 65;
 - d. A nonprofit corporation created under KRS 58.180 to act on behalf of a governmental agency in the acquisition and financing of public projects;
 - e. Regional wastewater commissions formed under KRS Chapter 278;
 - f. A municipally owned joint sewer agency formed under KRS Chapter 76; or
 - g. Any other governmental agency; and
2. The building materials, fixtures, or supplies:
- a. Will be permanently incorporated into a structure or improvement to real property, or will be completely consumed, in fulfilling a construction contract for the purpose of furnishing water or sewer services to the general public; and
 - b. Would be exempt if purchased directly by the entities listed in subparagraph 1. of this paragraph.
- (b) As used in this subsection, "construction contract" means a:
- 1. Lump sum contract;
 - 2. Cost plus contract;
 - 3. Materials only contract;
 - 4. Labor and materials contract; or
 - 5. Any other type of contract.
- (c) The exemption provided in this subsection shall apply without regard to the payment arrangement between the construction contractor, the retailer, and the entities listed in paragraph (a)1. of this subsection or to the place of delivery for the building materials, fixtures, or supplies;
- ~~(34)~~~~(35)~~ (a) On or after February 25, 2022, the rental of space for meetings, conventions, short-term business uses, entertainment events, weddings, banquets, parties, and other short-term social events, as referenced in KRS 139.200, if the tax established in KRS 139.200 is paid by the primary lessee to the lessor.
- (b) For the purpose of this subsection, "primary lessee" means the person who leases the space and who has a contract with the lessor of the space only if:
- 1. The contract between the lessor and the lessee specifies that the lessee may sublease, subrent, or otherwise sell the space; and
 - 2. The space is then sublet, subrented, or otherwise sold to exhibitors, vendors, sponsors, or other entities and persons who will use the space associated with the event to be conducted under the primary lease;
- ~~(35)~~~~(36)~~ Prewritten computer software access services sold to or purchased by a retailer that develops prewritten computer software for print technology and uses and sells prewritten computer software access services for print technology;
- ~~(36)~~~~(37)~~ (a) Currency or bullion.
- (b) As used in this subsection:
- 1. "Bullion":
 - a. Means bars, ingots, or coins, which are:
 - i. Made of gold, silver, platinum, palladium, or a combination of these metals;
 - ii. Valued based on the content of the metal and not its form; and
 - iii. Used, or have been used, as a medium of exchange, security, or commodity by any state, the United States government, or a foreign nation; and

- b. Does not include medallions or coins that are incorporated into a pendant or other jewelry; and
 - 2. "Currency":
 - a. Means a coin or currency made of gold, silver, platinum, palladium, or other metal or paper money that is or has been used as legal tender and is sold based on its value as a collectible item rather than the value as a medium of exchange; and
 - b. Does not include a coin or currency that has been incorporated into jewelry; and
- ~~(37)~~~~(38)~~ Medicinal cannabis as defined in KRS 218B.010 when sold, used, stored, or consumed in accordance with KRS Chapter 218B.

➔Section 49. KRS 139.4802 is amended to read as follows:

- (1) (a) On or after March 27, 2025, a violation shall occur when an official notice published by the secretary of the Finance and Administration Cabinet or the commissioner of the department instructs that taxpayers should continue to collect and remit sales and use tax on the sale, use, storage, or other consumption of currency or bullion currency under this chapter.
- (b) Any notice or instruction, published at any time, that states that on or after August 1, 2024, the sale, use, storage, or other consumption of currency or bullion currency under this chapter is taxable is void and unenforceable.
- (2) Notwithstanding KRS 49.220 and 139.770, on and after August 1, 2024, any person who paid sales tax under KRS 139.200 or use tax under KRS 139.310 on currency or bullion currency that is exempt from sales and use tax under KRS 139.480 ~~(36)~~~~(37)~~ may maintain an action for a refund of the tax paid, as an individual or by seeking certification as a class under Rule 23 of the Kentucky Rules of Civil Procedure, for a refund on behalf of the person and other persons similarly situated against the Commonwealth.
- (3) An action for a refund pursuant to subsection (2) of this section, or alleging a violation under subsection (1) of this section, may be brought in the Circuit Court of any county where the named plaintiff resides or where the currency or bullion currency transaction took place.
- (4) In addition to a refund of the sales or use tax, persons seeking a refund pursuant to subsection (2) of this section or alleging a violation under subsection (1) of this section who prevail shall be entitled to:
 - (a) Prejudgment and post-judgment interest;
 - (b) Temporary or permanent injunctive relief;
 - (c) Reasonable attorney's fees and costs; and
 - (d) For allegations of a violation under subsection (1) of this section, liquidated damages of one thousand dollars (\$1,000) for each day that the violation occurred, which shall be paid from the administrative budget of the Finance and Administration Cabinet, the department, or the Office of the Governor.
- (5) It is the intent of the General Assembly to waive sovereign, governmental, and qualified immunity for claims under this section, including immunity afforded to the Commonwealth pursuant to the Eleventh Amendment to the Constitution of the United States.
- (6) Any person who directs, instructs, or causes a violation of any provision of this section shall be personally, jointly, and severally liable for any awarded damages.

➔Section 50. KRS 139.481 is amended to read as follows:

- (1) On and after January 1, 2023, every person claiming an exemption provided under KRS 139.480(4) to (9), (11), (13) to (15), ~~(22) to (29), and (32)~~~~(23) to (30), and (33)~~ shall provide to the seller or retailer a valid agriculture exemption license number issued by the department.
- (2) A person is eligible to apply for an agriculture exemption license number if the person is:
 - (a) Regularly engaged in the occupation of tilling and cultivating the soil for the production of crops as a business;
 - (b) Regularly engaged in the occupation of raising and feeding livestock of a kind the products of which ordinarily constitute food for human consumption;

- (c) Raising and feeding poultry;
 - (d) Producing milk for sale; or
 - (e) Regularly engaged in raising ratite birds, llamas, alpacas, **buffaloes**~~[buffaloes]~~, cervids, or aquatic organisms as an agricultural pursuit.
- (3) (a) On and after January 1, 2023, persons that receive an agriculture exemption license number and choose to claim the exemptions outlined in subsection (1) of this section shall, at least one (1) time, provide the seller or retailer from whom they purchase exempt tangible personal property with one (1) of the following:
- 1. The agriculture exemption license number issued by the department; or
 - 2. A fully completed Streamlined Sales Tax Certificate of Exemption which shall include the agriculture exemption license number.
- (b) A purchaser that has met the requirements of paragraph (a) of this subsection may issue the agriculture exemption license number to the seller or retailer for subsequent purchases as evidence of an exempt purchase for as long as the agriculture exemption license number is valid.
- (c) Persons that meet the requirements of subsection (2) of this section but have not yet received an agriculture exemption license number from the department prior to January 1, 2023, may issue a fully completed exemption certificate or a fully completed Streamlined Sales Tax Certificate of Exemption without the agriculture exemption license number prior to January 1, 2023.
- (4) (a) The department, by administrative regulation, shall develop an application form for the agriculture exemption license number and procedures by which the application form may also be submitted either electronically or by paper filing.
- (b) The application shall include:
- 1. The person's name and mailing address;
 - 2. The farm address, if different from the person's mailing address;
 - 3. An affirmation that the person meets at least one (1) of the criteria outlined in subsection (2) of this section;
 - 4. The person's driver's license number; and
 - 5. One (1) of the following forms of documentation:
 - a. IRS Schedule F, Profit or Loss from Farming;
 - b. IRS Form 4835, Farm Rental Income and Expenses;
 - c. The farm service agency number or numbers assigned by the United States Department of Agriculture pertaining to the parcels of land on which agriculture activity will take place; or
 - d. Any other type of information that may establish to the satisfaction of the Commissioner that the applicant qualifies for the agriculture exemption license number.
- (5) (a) The agriculture exemption license number shall expire:
- 1. On December 31, 2026, and every four (4) years thereafter;~~;~~ or
 - 2. When the person ceases to engage in the agriculture activity for which the agriculture exemption license number was granted;~~;~~
- whichever comes first.
- (b) ***The department shall extend the December 31, 2026, deadline for a period not to exceed six (6) months, as needed to allow persons with agriculture exemption license numbers to renew before expiration.***
- (c) When a person ceases to engage in the agriculture activity for which the license number was granted, the person shall notify the department within sixty (60) days.

~~(d)(e)~~ The person may apply for a renewal of the agriculture exemption license number prior to the expiration date if the person continues to meet the requirements of subsection (2) of this section and provides documentation required by subsection (4)(b)5. of this section. The department shall, by administrative regulation, prescribe the electronic process for renewing an agriculture exemption license number.

- (6) (a) On or before January 1, 2023, the department shall develop and provide an online searchable database on the department's website that the seller or retailer may use to confirm the agriculture exemption license number if the purchaser cannot produce documentation of the agriculture exemption license number at the time of sale.
- (b) To search the database, the seller or retailer shall provide the name of the person assigned the agriculture exemption license number and one (1) of the following:
1. The agriculture exemption license number;
 2. The agriculture exemption license number expiration date;
 3. The person's driver's license number;
 4. The farm service agency parcel number; or
 5. Any other unique identifier that may be accepted by the department.
- (c) The seller or retailer shall be relieved of the liability for collecting and remitting the sales and use tax if the seller or retailer meets the requirements of KRS 139.260 and 139.270.

➔Section 51. KRS 141.0401 is amended to read as follows:

- (1) As used in this section:
- (a) "Kentucky gross receipts" means an amount equal to the computation of the numerator of the apportionment fraction under KRS 141.120, any administrative regulations related to the computation of the sales factor, and KRS 141.121 and includes the proportionate share of Kentucky gross receipts of all wholly or partially owned limited liability pass-through entities, including all layers of a multi-layered pass-through structure;
- (b) "Gross receipts from all sources" means an amount equal to the computation of the denominator of the apportionment fraction under KRS 141.120, any administrative regulations related to the computation of the sales factor, and KRS 141.121 and includes the proportionate share of gross receipts from all sources of all wholly or partially owned limited liability pass-through entities, including all layers of a multi-layered pass-through structure;
- (c) "Affiliated group" has the same meaning as in KRS 141.201;
- (d) "Cost of goods sold" means:
1. Amounts that are:
 - a. Allowable as cost of goods sold pursuant to the Internal Revenue Code and any guidelines issued by the Internal Revenue Service relating to cost of goods sold, unless modified by this paragraph; and
 - b. Incurred in acquiring or producing the tangible product generating the Kentucky gross receipts.
 2. For manufacturing, producing, reselling, retailing, or wholesaling activities, cost of goods sold shall only include costs directly incurred in acquiring or producing the tangible product. In determining cost of goods sold:
 - a. Labor costs shall be limited to direct labor costs as defined in paragraph (f) of this subsection;
 - b. Bulk delivery costs as defined in paragraph (g) of this subsection may be included; and
 - c. Costs allowable under Section 263A of the Internal Revenue Code may be included only to the extent the costs are incurred in acquiring or producing the tangible product

generating the Kentucky gross receipts. Notwithstanding the foregoing, indirect labor costs allowable under Section 263A shall not be included;

3. For any activity other than manufacturing, producing, reselling, retailing, or wholesaling, no costs shall be included in cost of goods sold.

As used in this paragraph, "guidelines issued by the Internal Revenue Service" includes regulations, private letter rulings, or any other guidance issued by the Internal Revenue Service that may be relied upon by taxpayers under reliance standards established by the Internal Revenue Service;

- (e)
 1. "Kentucky gross profits" means Kentucky gross receipts reduced by returns and allowances attributable to Kentucky gross receipts, less the cost of goods sold attributable to Kentucky gross receipts. If the amount of returns and allowances attributable to Kentucky gross receipts and the cost of goods sold attributable to Kentucky gross receipts is zero, then "Kentucky gross profits" means Kentucky gross receipts; and
 2. "Gross profits from all sources" means gross receipts from all sources reduced by returns and allowances attributable to gross receipts from all sources, less the cost of goods sold attributable to gross receipts from all sources. If the amount of returns and allowances attributable to gross receipts from all sources and the cost of goods sold attributable to gross receipts from all sources is zero, then gross profits from all sources means gross receipts from all sources;
- (f) "Direct labor" means labor that is incorporated into the tangible product sold or is an integral part of the manufacturing process;
- (g) "Bulk delivery costs" means the cost of delivering the product to the consumer if:
 1. The tangible product is delivered in bulk and requires specialized equipment that generally precludes commercial shipping; and
 2. The tangible product is taxable under KRS 138.220;
- (h) "Manufacturing" and "producing" means:
 1. Manufacturing, producing, constructing, or assembling components to produce a significantly different or enhanced end tangible product;
 2. Mining or severing natural resources from the earth; or
 3. Growing or raising agricultural or horticultural products or animals;
- (i) "Real property" means land and anything growing on, attached to, or erected on it, excluding anything that may be severed without injury to the land;
- (j) "Reselling," "retailing," and "wholesaling" mean the sale of a tangible product;
- (k) "Tangible personal property" means property, other than real property, that has physical form and characteristics; and
- (l) "Tangible product" means real property and tangible personal property;
- (2) (a) For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits except as provided in this subsection. A small business exclusion from this tax shall be provided based on the reduction contained in this subsection. The tax shall be the greater of the amount computed under paragraph (b) of this subsection or one hundred seventy-five dollars (\$175), regardless of the application of any tax credits provided under this chapter or any other provisions of the Kentucky Revised Statutes for which the business entity may qualify.
 - (b) The limited liability entity tax shall be the lesser of subparagraph 1. or 2. of this paragraph:
 1. a. If the corporation's or limited liability pass-through entity's gross receipts from all sources are three million dollars (\$3,000,000) or less, the limited liability entity tax shall be one hundred seventy-five dollars (\$175);
 - b. If the corporation's or limited liability pass-through entity's gross receipts from all sources are greater than three million dollars (\$3,000,000) but less than six million dollars (\$6,000,000), the limited liability entity tax shall be nine and one-half cents (\$0.095) per

one hundred dollars (\$100) of the corporation's or limited liability pass-through entity's Kentucky gross receipts reduced by an amount equal to two thousand eight hundred fifty dollars (\$2,850) multiplied by a fraction, the numerator of which is six million dollars (\$6,000,000) less the amount of the corporation's or limited liability pass-through entity's Kentucky gross receipts for the taxable year, and the denominator of which is three million dollars (\$3,000,000), but in no case shall the result be less than one hundred seventy-five dollars (\$175);

- c. If the corporation's or limited liability pass-through entity's gross receipts from all sources are equal to or greater than six million dollars (\$6,000,000), the limited liability entity tax shall be nine and one-half cents (\$0.095) per one hundred dollars (\$100) of the corporation's or limited liability pass-through entity's Kentucky gross receipts.
- 2. a. If the corporation's or limited liability pass-through entity's gross profits from all sources are three million dollars (\$3,000,000) or less, the limited liability entity tax shall be one hundred seventy-five dollars (\$175);
 - b. If the corporation's or limited liability pass-through entity's gross profits from all sources are at least three million dollars (\$3,000,000) but less than six million dollars (\$6,000,000), the limited liability entity tax shall be seventy-five cents (\$0.75) per one hundred dollars (\$100) of the corporation's or limited liability pass-through entity's Kentucky gross profits, reduced by an amount equal to twenty-two thousand five hundred dollars (\$22,500) multiplied by a fraction, the numerator of which is six million dollars (\$6,000,000) less the amount of the corporation's or limited liability pass-through entity's Kentucky gross profits, and the denominator of which is three million dollars (\$3,000,000), but in no case shall the result be less than one hundred seventy-five dollars (\$175);
 - c. If the corporation's or limited liability pass-through entity's gross profits from all sources are equal to or greater than six million dollars (\$6,000,000), the limited liability entity tax shall be seventy-five cents (\$0.75) per one hundred dollars (\$100) of all of the corporation's or limited liability pass-through entity's Kentucky gross profits.

In determining eligibility for the reductions contained in this paragraph, a member of an affiliated group shall consider the total gross receipts and the total gross profits from all sources of the entire affiliated group, including eliminating entries for transactions among the group.

- (c) A credit shall be allowed against the tax imposed under paragraph (a) of this subsection for the current year to a corporation or limited liability pass-through entity that owns an interest in a limited liability pass-through entity. The credit shall be the proportionate share of tax calculated under this subsection by the lower-level pass-through entity, as determined after the amount of tax calculated by the pass-through entity has been reduced by the minimum tax of one hundred seventy-five dollars (\$175). The credit shall apply across multiple layers of a multi-layered pass-through entity structure. The credit at each layer shall include the credit from each lower layer, after reduction for the minimum tax of one hundred seventy-five dollars (\$175) at each layer.
 - (d) The department may promulgate administrative regulations to establish a method for calculating the cost of goods sold attributable to Kentucky.
- (3) A nonrefundable credit based on the tax calculated under subsection (2) of this section shall be allowed against the tax imposed by KRS 141.020 or 141.040. The credit amount shall be determined as follows:
 - (a) The credit allowed a corporation subject to the tax imposed by KRS 141.040 shall be equal to the amount of tax calculated under subsection (2) of this section for the current year after subtraction of any credits identified in KRS 141.0205, reduced by the minimum tax of one hundred seventy-five dollars (\$175), plus any credit determined in paragraph (b) of this subsection for tax paid by wholly or partially owned limited liability pass-through entities. The amount of credit allowed to a corporation based on the amount of tax paid under subsection (2) of this section for the current year shall be applied to the income tax due from the corporation's activities in this state. Any remaining credit from the corporation shall be disallowed.
 - (b) The credit allowed members, shareholders, or partners of a limited liability pass-through entity shall be the members', shareholders', or partners' proportionate share of the tax calculated under subsection (2)

of this section for the current year after subtraction of any credits identified in KRS 141.0205, as determined after the amount of tax paid has been reduced by the minimum tax of one hundred seventy-five dollars (\$175). The credit allowed to members, shareholders, or partners of a limited liability pass-through entity shall be applied to income tax assessed on income from the limited liability pass-through entity. Any remaining credit from the limited liability pass-through entity shall be disallowed.

- (4) Each taxpayer subject to the tax imposed in this section shall file a return, on forms prepared by the department, on or before the fifteenth day of the fourth month following the close of the taxpayer's taxable year. Any tax remaining due after making the payments required in KRS 141.044 shall be paid by the original due date of the return.
- (5) The department shall prescribe forms and promulgate administrative regulations as needed to administer the provisions of this section.
- (6) The tax imposed by subsection (2) of this section shall not apply to:
 - (a) For taxable years beginning prior to January 1, 2021:
 1. Financial institutions, as defined in KRS 136.500, except banker's banks organized under KRS 287.135 or 286.3-135;
 2. Savings and loan associations organized under the laws of this state and under the laws of the United States and making loans to members only;
 3. Banks for cooperatives;
 4. Production credit associations;
 5. Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;
 6. Corporations or other entities exempt under Section 501 of the Internal Revenue Code;
 7. Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;
 8. Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that:
 - a. The property consists of the final printed product, or copy from which the printed product is produced; and
 - b. The corporation has no individuals receiving compensation in this state as provided in KRS 141.901;
 9. Public service corporations subject to tax under KRS 136.120;
 10. Open-end registered investment companies organized under the laws of this state and registered under the Investment Company Act of 1940;
 11. Any property or facility which has been certified as a fluidized bed energy production facility~~as defined in KRS 211.390~~;
 12. An alcohol production facility as defined in KRS 247.910;
 13. Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;
 14. Regulated investment companies as defined in Section 851 of the Internal Revenue Code;
 15. Real estate mortgage investment conduits as defined in Section 860D of the Internal Revenue Code;
 16. Personal service corporations as defined in Section 269A(b)(1) of the Internal Revenue Code;
 17. Cooperatives described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives; or

18. Publicly traded partnerships as defined by Section 7704(b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or their publicly traded partnership affiliates. "Publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership; and
- (b) For taxable years beginning on or after January 1, 2021:
1. Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;
 2. Corporations or other entities exempt under Section 501 of the Internal Revenue Code;
 3. Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;
 4. Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that:
 - a. The property consists of the final printed product, or copy from which the printed product is produced; and
 - b. The corporation has no individuals receiving compensation in this state as provided in KRS 141.901;
 5. Public service corporations subject to tax under KRS 136.120;
 6. Open-end registered investment companies organized under the laws of this state and registered under the Investment Company Act of 1940;
 7. ~~[Any property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390;~~
 8. ~~—]An alcohol production facility as defined in KRS 247.910;~~
 - 8.~~[9.]~~ Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;
 - 9.~~[10.]~~ Regulated investment companies as defined in Section 851 of the Internal Revenue Code;
 - 10.~~[11.]~~ Real estate mortgage investment conduits as defined in Section 860D of the Internal Revenue Code;
 - 11.~~[12.]~~ Personal service corporations as defined in Section 269A(b)(1) of the Internal Revenue Code;
 - 12.~~[13.]~~ Cooperatives described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives; or
 - 13.~~[14.]~~ Publicly traded partnerships as defined by Section 7704(b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or their publicly traded partnership affiliates. "Publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least eighty percent (80%) of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership.
- (7) (a) As used in this subsection, "qualified exempt organization" means an entity listed in subsection (6)(a) and (b) of this section and shall not include any entity whose exempt status has been disallowed by the Internal Revenue Service.
- (b) Notwithstanding any other provisions of this section, any limited liability pass-through entity that is owned in whole or in part by a qualified exempt organization shall, in calculating its Kentucky gross receipts or Kentucky gross profits, exclude the proportionate share of its Kentucky gross receipts or Kentucky gross profits attributable to the ownership interest of the qualified exempt organization.

- (c) Any limited liability pass-through entity that reduces Kentucky gross receipts or Kentucky gross profits in accordance with paragraph (b) of this subsection shall disregard the ownership interest of the qualified exempt organization in determining the amount of credit available under subsection (3) of this section.
 - (d) The Department of Revenue may promulgate an administrative regulation to further define "qualified exempt organization" to include an entity for which exemption is constitutionally or legally required, or to exclude any entity created primarily for tax avoidance purposes with no legitimate business purpose.
- (8) The credit permitted by subsection (3) of this section shall flow through multiple layers of limited liability pass-through entities and shall be claimed by the taxpayer who ultimately pays the tax on the income of the limited liability pass-through entity.

➔Section 52. KRS 141.206 is amended to read as follows:

- (1) Every pass-through entity doing business in this state shall, on or before the fifteenth day of the fourth month following the close of its annual accounting period, file a copy of its federal tax return with the form prescribed and furnished by the department.
- (2)
 - (a) Pass-through entities shall calculate net income in the same manner as in the case of an individual under KRS 141.019 and the adjustment required under Sections 703(a) and 1363(b) of the Internal Revenue Code.
 - (b) Computation of net income under this section and the computation of the partner's, member's, or shareholder's distributive share shall be computed as nearly as practicable identical with those required for federal income tax purposes except to the extent required by differences between this chapter and the federal income tax law and regulations.
- (3) Individuals, estates, trusts, or corporations doing business in this state as a partner, member, or shareholder in a pass-through entity shall be liable for income tax only in their individual, fiduciary, or corporate capacities, and no income tax shall be assessed against the net income of any pass-through entity, except as required:
 - (a) For S corporations under KRS 141.040;
 - (b) For a partnership level audit under KRS 141.211; and
 - (c) For a pass-through entity making an election under KRS 141.209.
- (4)
 - (a) Every pass-through entity required to file a return under subsection (1) of this section, except publicly traded partnerships as described in KRS 141.0401(6)(a)18. and (b)13.144, shall withhold Kentucky income tax on the distributive share, whether distributed or undistributed, of each nonresident individual partner, member, or shareholder.
 - (b) Withholding shall be at the maximum rate provided in KRS 141.020.
- (5)
 - (a) Every pass-through entity required to withhold Kentucky income tax as provided by subsection (4) of this section shall pay estimated tax for the taxable year, if for a nonresident individual partner, member, or shareholder, the estimated tax liability can reasonably be expected to exceed five hundred dollars (\$500).
 - (b) The payment of estimated tax shall contain the information and shall be filed as provided in KRS 141.207.
- (6)
 - (a) If a pass-through entity demonstrates to the department that a partner, member, or shareholder has filed an appropriate tax return for the prior year with the department, then the pass-through entity shall not be required to withhold on that partner, member, or shareholder for the current year unless the exemption from withholding has been revoked pursuant to paragraph (b) of this subsection.
 - (b)
 - 1. An exemption from withholding shall be considered revoked if the partner, member, or shareholder does not file and pay all taxes due in a timely manner.
 - 2. An exemption so revoked shall be reinstated only with permission of the department.
 - 3. If a partner, member, or shareholder who has been exempted from withholding does not file a return or pay the tax due, the department may require the pass-through entity to pay to the department the amount that should have been withheld, up to the amount of the partner's, member's, or shareholder's ownership interest in the entity.

4. The pass-through entity shall be entitled to recover a payment made pursuant to this paragraph from the partner, member, or shareholder on whose behalf the payment was made.
- (7) In determining the tax under this chapter, a resident individual, estate, or trust that is a partner, member, or shareholder in a pass-through entity shall take into account the partner's, member's, or shareholder's total distributive share of the pass-through entity's items of income, loss, deduction, and credit.
- (8) In determining the tax under this chapter, a nonresident individual, estate, or trust that is a partner, member, or shareholder in a pass-through entity required to file a return under subsection (1) of this section shall take into account:
- (a) 1. If the pass-through entity is doing business only in this state, the partner's, member's, or shareholder's total distributive share of the pass-through entity's items of income, loss, and deduction; or
2. If the pass-through entity is doing business both within and without this state, the partner's, member's, or shareholder's distributive share of the pass-through entity's items of income, loss, and deduction multiplied by the apportionment fraction of the pass-through entity as prescribed in subsection (11) of this section; and
- (b) The partner's, member's, or shareholder's total distributive share of credits of the pass-through entity.
- (9) A corporation that is subject to tax under KRS 141.040 and is a partner or member in a pass-through entity shall take into account the corporation's distributive share of the pass-through entity's items of income, loss, and deduction and:
- (a) 1. For taxable years beginning on or after January 1, 2007, but prior to January 1, 2018, shall include the proportionate share of the sales, property, and payroll of the limited liability pass-through entity or general partnership in computing its own apportionment factor; and
2. For taxable years beginning on or after January 1, 2018, shall include the proportionate share of the sales of the limited liability pass-through entity or general partnership in computing its own apportionment factor; and
- (b) Credits from the partnership.
- (10) (a) If a pass-through entity is doing business both within and without this state, the pass-through entity shall compute and furnish to each partner, member, or shareholder the numerator and denominator of each factor of the apportionment fraction determined in accordance with subsection (11) of this section.
- (b) For purposes of determining an apportionment fraction under paragraph (a) of this subsection, if the pass-through entity is:
1. Doing business both within and without this state; and
2. A partner or member in another pass-through entity;
- then the pass-through entity shall be deemed to own the pro rata share of the property owned or leased by the other pass-through entity, and shall also include its pro rata share of the other pass-through entity's payroll and sales.
- (c) The phrases "a partner or member in another pass-through entity" and "doing business both within and without this state" shall extend to each level of multiple-tiered pass-through entities.
- (d) The attribution to the pass-through entity of the pro rata share of property, payroll and sales from its role as a partner or member in another pass-through entity will also apply when determining the pass-through entity's ultimate apportionment factor for property, payroll and sales as required under subsection (11) of this section.
- (11) (a) For taxable years beginning prior to January 1, 2018, a pass-through entity doing business within and without the state shall compute an apportionment fraction, the numerator of which is the property factor, representing twenty-five percent (25%) of the fraction, plus the payroll factor, representing twenty-five percent (25%) of the fraction, plus the sales factor, representing fifty percent (50%) of the fraction, with each factor determined in the same manner as provided in KRS 141.901, and the denominator of which is four (4), reduced by the number of factors, if any, having no denominator, provided that if the sales factor has no denominator, then the denominator shall be reduced by two (2).

- (b) For taxable years beginning on or after January 1, 2018, a pass-through entity doing business within and without the state shall compute an apportionment fraction as provided in KRS 141.120.
- (12) Resident individuals, estates, or trusts that are partners in a partnership, members of a limited liability company electing partnership tax treatment for federal income tax purposes, owners of single member limited liability companies, or shareholders in an S corporation which does not do business in this state are subject to tax under KRS 141.020 on federal net income, gain, deduction, or loss passed through the partnership, limited liability company, or S corporation.
- (13) An S corporation election made in accordance with Section 1362 of the Internal Revenue Code for federal tax purposes is a binding election for Kentucky tax purposes.
- (14) (a) Nonresident individuals shall not be taxable on investment income distributed by a qualified investment partnership. For purposes of this subsection, a "qualified investment partnership" means a pass-through entity that, during the taxable year, holds only investments that produce income that would not be taxable to a nonresident individual if held or owned individually.
- (b) A qualified investment partnership shall be subject to all other provisions relating to a pass-through entity under this section and shall not be subject to the tax imposed under KRS 141.040 or 141.0401.
- (15) (a) A pass-through entity shall deliver to the department a return upon a form prescribed by the department showing the total amounts paid or credited to its nonresident individual partners, members, or shareholders, the amount paid in accordance with this subsection, and any other information the department may require.
- (b) A pass-through entity shall furnish to its nonresident partner, member, or shareholder annually, but not later than the fifteenth day of the fourth month after the end of its taxable year, a record of the amount of tax paid on behalf of the partner, member, or shareholder on a form prescribed by the department.

➔Section 53. KRS 141.065 is amended to read as follows:

- (1) For the purposes of this section, "code" or "Internal Revenue Code" means the Internal Revenue Code in effect as of December 31, 1981.
- (2) ***For taxable years beginning before January 1, 2028***, there shall be allowed as a credit for any taxpayer against the tax imposed by KRS 141.020 or 141.040 and 141.0401 for any taxable year, with the ordering of the credits as provided in KRS 141.0205, an amount equal to one hundred dollars (\$100) for each person hired by the taxpayer, if that person has been classified as unemployed by the Office of Unemployment Insurance in the Education and Labor Cabinet and has been so classified for at least sixty (60) days prior to his employment by the taxpayer, and if further that person has remained in the employ of the taxpayer for at least one hundred eighty (180) consecutive days during the taxable year in which the taxpayer claims the credit.
- (3) No credit shall be allowed to any taxpayer for any person hired under any of the following circumstances:
 - (a) A person for whom the taxpayer receives federally funded payments for on-the-job training;
 - (b) For any person who bears any of the relationships to the taxpayer described in paragraphs (1) through (8) of Section 152(a) of the Internal Revenue Code, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than fifty percent (50%) in value of the outstanding stock of the corporation as determined with the application of Section 267(c) of the code;
 - (c) If the taxpayer is an estate or trust, to any person who is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in paragraphs (1) through (8) of Section 152(a) of the code to a grantor, beneficiary, or fiduciary of the estate or trust; or
 - (d) To any person who is a dependent of the taxpayer as described in code Section 152(a)(9), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.
- (4) For purposes of this section, all employees of all corporations which are members of the same controlled group of corporations shall be treated as employed by a single employer. In no instance shall the credit, if any, allowable by subsection (2) of this section for any employee qualified thereunder be claimed more than once for any taxable year by such a controlled group of corporations. For purposes of this subsection, the term "controlled group of corporations" has the meaning given to that term by code Section 1563(a), except that "more than fifty percent (50%)" shall be substituted for "at least eighty percent (80%)" each place it appears in code Section 1563(a)(1), and the determination shall be made without regard to subsections (a)(4) and (e)(3)(c) of code Section 1563.

- (5) For purposes of this section, all employees of trades or businesses (whether or not incorporated) which are under common control shall be treated as employed by a single employer, and in no instance shall the credit, if any, allowable by subsection (2) of this section for any employee qualified thereunder be claimed more than once for any taxable year.
- (6) No credit shall be allowed under subsection (2) of this section to any organization which is exempt from income tax by this chapter.
- (7) In the case of a pass-through entity, the amount of the credit determined under this section for any taxable year shall be applied at the entity level against the limited liability entity tax imposed by KRS 141.0401 and shall also be apportioned pro rata among the members, partners, or shareholders of the limited liability entity on the last day of the taxable year, and any person to whom an amount is so apportioned shall be allowed, subject to code Section 53, a credit under subsection (2) of this section for that amount.
- (8) In the case of an estate or trust, the amount of the credit determined under this section for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of income of the estate or trust allocable to each, and any beneficiary to whom any amount has been apportioned under this subsection shall be allowed, subject to code Section 53, a credit under subsection (2) of this section for that amount.
- (9) In no event shall the credit allowed, pursuant to this section, for any taxable year exceed the tax liability of the taxpayer for the taxable year.
- (10) (a) *By November 1, 2026, and each November 1 thereafter as long as credit is claimed under this section, the department shall report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue:*
 1. *The total number of returns claiming the credit for the taxable year;*
 2. *The total amount of credit claimed for the taxable year;*
 3. *By county, the total number of unemployed persons hired for which credit is claimed for the taxable year;*
 4. *By taxpayer:*
 - a. *The name and location of the taxpayer claiming the credit as listed on the tax return;*
 - b. *The total number of tax credits claimed for the taxable year;*
 - c. *The total amount of credit claimed for the taxable year; and*
 - d. *The total number of unemployed persons hired in which credit is claimed for the taxable year; and*
 5. a. *In the case of 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 credit claimed and the total number of returns claiming this credit for each adjusted gross income range.*
 - b. *In the case of corporations, based on ranges of net income of no larger than fifty thousand dollars (\$50,000) for the taxable year, the total amount of credit claimed and the total number of returns claiming this credit for each net income range.*
- (b) *The Office of Unemployment Insurance shall assist by providing the department with the information necessary to help fulfill the requirements under this subsection.*
- (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.*

➔Section 54. KRS 141.412 is amended to read as follows:

- (1) *For taxable years beginning before January 1, 2028, a qualified farming operation shall be entitled to a nonrefundable credit against the Kentucky income tax liability established pursuant to the provisions of this chapter on any income of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project, and against the limited liability entity tax imposed by KRS 141.0401 on any Kentucky gross profits or Kentucky gross receipts of the qualified farming operation*

generated by or arising out of the qualified farming operation's participation in a networking project. The credits shall be applied as provided in KRS 141.0205. The annual credit shall be available for the first five (5) years that the farming operation is involved in the networking project. The annual credit shall be equal to the approved costs incurred by the qualified farming operation during the tax year and shall not exceed the income, Kentucky gross profits or Kentucky gross receipts, as the case may be, of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project.

- (2) Any credit not used in the tax year in which it first becomes available may be carried forward to the next succeeding five (5) tax years until the credit has been fully used. The aggregate credit used in any tax year shall not exceed the income, Kentucky gross profits or Kentucky gross receipts, as the case may be, of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project in that tax year.
- (3) (a) ***By November 1, 2026, and each November 1 thereafter as long as a qualified farming operation credit is claimed under this section, the department shall report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue:***
 1. ***The total number of returns claiming the credit for the taxable year;***
 2. ***The total amount of credit claimed for the taxable year;***
 3. ***By taxpayer:***
 - a. ***The name and location of the taxpayer claiming the credit as listed on the tax return;***
 - b. ***The total number of tax credits claimed for the taxable year;***
 - c. ***The total amount of credit claimed for the taxable year;***
 - d. ***The name and location, by county, of the networking project;***
 - e. ***Type of food or product produced; and***
 - f. ***Type of raw materials provided for food-producing facilities in this state; and***
 4. ***a. In the case of 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 credit claimed and the total number of returns claiming this credit for each adjusted gross income range.***
 - b. ***In the case of corporations, based on ranges of net income of no larger than fifty thousand dollars (\$50,000) for the taxable year, the total amount of credit claimed and the total number of returns claiming this credit for each net income range.***
- (b) ***The Cabinet for Economic Development shall assist by providing the department with information on the approved farming operations or networking projects to help fulfill the requirements under this subsection.***
- (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.***

➔Section 55. KRS 141.0101 is amended to read as follows:

- (1) (a) The provisions of subsections (2) to (11) of this section shall apply to taxable years beginning before January 1, 1994.
- (b) The provisions of subsections (12) to (15) of this section shall apply to taxable years beginning after December 31, 1993.
- (c) The provisions of subsection (16) of this section apply to property placed in service after September 10, 2001.
- (2) For property placed in service prior to January 1, 1990, in lieu of the depreciation and expense deductions allowed under Internal Revenue Code Sections 168 and 179, a deduction for a reasonable allowance for depreciation, exhaustion, wear and tear, and obsolescence of property used in a trade or business shall be allowed and computed as set out in subsections (3) to (11) of this section. For property placed in service after December 31, 1989, the depreciation and expense deductions allowed under Sections 168 and 179 of the Internal Revenue Code shall be allowed.

- (3) Effective August 1, 1985, "reasonable allowance" as used in subsection (2) of this section shall mean depreciation computed in accordance with Section 167 of the Internal Revenue Code and related regulations in effect on December 31, 1980, for all property placed in service on or after January 1, 1981, except as provided in subsections (6) to (8) of this section.
- (4) Depreciation of property placed in service prior to January 1, 1981, shall be computed under Section 167 of the Internal Revenue Code, and the method elected thereunder at the time the property was first placed in service or as changed with the approval of the Commissioner of Internal Revenue Service or as required by changes in federal regulations.
- (5) Taxpayers other than corporations shall be allowed to deduct as depreciation on recovery property placed in service before August 1, 1985, an amount calculated under Section 168 of the Internal Revenue Code subject to the provisions of subsections (6) and (8) of this section. Corporations with a taxable year beginning on or after July 1, 1984, and before August 1, 1985, shall calculate a deduction for depreciation on recovery property placed in service prior to August 1, 1985, using either of the following alternative methods:
 - (a) Dividing the total of the deductions allowed under Internal Revenue Code Section 168 by one and four tenths (1.4); and
 - (b) Calculating the deduction that would be allowed or allowable under the provisions of Section 167 of the Internal Revenue Code.
- (6) Recovery property placed in service on or after January 1, 1981, and before August 1, 1985, and subject to transition under subsection (8) of this section, shall be subject to depreciation under Section 167 of the Internal Revenue Code, restricted to the straight line method therein provided over the remaining useful life of such assets.
- (7) Depreciation of property placed in service on or after August 1, 1985, shall be computed under Section 167 of the Internal Revenue Code.
- (8) Transition from Section 168 of the Internal Revenue Code, Accelerated Cost Recovery System (ACRS) depreciation, to the depreciation allowed or allowable under this section shall be reported in the first taxable year beginning on or after August 1, 1985. To implement the transition, the following adjustments shall be made:
 - (a) Taxpayers other than corporations shall use the adjusted Kentucky basis for property placed in service on or after January 1, 1981. "Adjusted Kentucky basis" means the basis used for determining depreciation under Section 168 of the Internal Revenue Code less the allowed or allowable depreciation and adjustment for election to expense an asset (Section 179 of the Internal Revenue Code);
 - (b) Corporations shall adjust the federal unadjusted basis by increasing such basis by the ACRS depreciation not allowed as a deduction in determining Kentucky net income for tax years beginning after June 30, 1984, less allowed or allowable ACRS depreciation for federal income tax purposes. Corporations will not be permitted to adjust the basis by the ACRS depreciation not allowed for Kentucky income tax purposes in tax years beginning on or before June 30, 1984.
- (9) A taxpayer may elect to treat the cost of property placed in service on or before July 31, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in effect on December 31, 1981, except that the aggregate cost which may be expensed for corporations shall not exceed five thousand dollars (\$5,000). A taxpayer may elect to treat the cost of property placed in service on or after August 1, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in effect on December 31, 1980. Computations, limitations, definitions, exceptions, and other provisions of Section 179 of the Internal Revenue Code and related regulations shall be construed to govern the computation of the allowable deduction.
- (10) Upon the sale, exchange, or disposition of any depreciable property placed in service on or after January 1, 1981, capital gains or losses and the amount of ordinary income determined under the provisions of the Internal Revenue Code shall be computed for Kentucky income tax purposes as follows:
 - (a) Compute the Kentucky unadjusted basis which is the cost of the asset reduced by any basis adjustment made by the taxpayer under Section 48(q)(1) of the Internal Revenue Code and any expense allowed and utilized under Section 179 of the Internal Revenue Code (First Year Expense) in determining Kentucky net income in prior years, and

- (b) Compute the adjusted basis by subtracting the depreciation allowed or allowable for Kentucky income tax purposes from the unadjusted basis, except corporations will not be permitted to adjust the basis of assets by the ACRS depreciation not allowed for Kentucky income tax purposes in the tax years beginning on or before June 30, 1984, and
 - (c) Compute the gain or loss by subtracting the adjusted basis from the value received from the disposition of the depreciable property, and
 - (d) Compute the recapture of depreciation required under Sections 1245 through 1256 of the Internal Revenue Code and related regulations, and
 - (e) Unless otherwise provided in this subsection the provisions of the Internal Revenue Code and related regulations governing the determination of capital gains or losses shall apply for Kentucky income tax purposes.
- (11) Unless otherwise provided by this chapter, the basis of property placed in service prior to January 1, 1990, for purposes of Kentucky income tax shall be the basis, adjusted or unadjusted, required to be used under Section 167 of the Internal Revenue Code in effect on December 31, 1980.
- (12) As used in this subsection to subsection (14) of this section:
- (a) "Transition property" means any property placed in service before the first day of the first taxable year beginning after December 31, 1993, and owned by the taxpayer on the first day of the first taxable year beginning after December 31, 1993.
 - (b) "Adjusted Kentucky basis" means the amount computed in accordance with the provisions of paragraph (b) of subsection (10) of this section for transition property.
 - (c) "Adjusted federal basis" means the original cost, or, in the case of Section 338 property, the adjusted grossed-up basis of transition property less:
 - 1. Any basis adjustments required by the Internal Revenue Code for credits; and
 - 2. The total accumulated depreciation and election to expense deductions allowed or allowable for federal income tax purposes.
 - (d) "Section 338 property" means property to which an adjusted grossed-up basis has been allocated pursuant to a valid election made by a purchasing corporation under the provisions of Section 338 of the Internal Revenue Code.
 - (e) "Transition amount" means the net difference between the adjusted Kentucky basis and the adjusted federal basis of all transition property determined as of the first day of the first taxable year beginning after December 31, 1993.
- (13) For taxable years beginning after December 31, 1993, the amounts of depreciation and election to expense deductions, allowed or allowable, the basis of assets, adjusted or unadjusted, and the gain or loss from the sale or other disposition of assets shall be the same for Kentucky income tax purposes as determined under Chapter 1 of the Internal Revenue Code.
- (14) For taxable years beginning after December 31, 1993, the transition amount computed in accordance with the provisions of paragraph (e) of subsection (12) of this section shall be reported by the taxpayer as follows:
- (a) In the first taxable year beginning after December 31, 1993, and the eleven (11) succeeding taxable years, the taxpayer shall include in gross income one-twelfth (1/12) of the transition amount if:
 - 1. The adjusted federal basis of transition property exceeds the adjusted Kentucky basis of transition property;
 - 2. The transition amount exceeds five million dollars (\$5,000,000);
 - 3. The transition amount includes property for which an election was made under Section 338 of the Internal Revenue Code; and
 - 4. The taxpayer elects the provisions of this paragraph with the filing of an amended income tax return for the first taxable year beginning after December 31, 1993.
 - (b) In the first taxable year beginning after December 31, 1993 and the three (3) succeeding taxable years, if the transition amount exceeds one hundred thousand dollars (\$100,000), or if the transition amount does not exceed one hundred thousand dollars (\$100,000) and the taxpayer elects the provision of this

paragraph with the filing of the income tax return for the first taxable year beginning after December 31, 1993, the taxpayer shall:

1. Deduct from gross income twenty-five percent (25%) of the transition amount if the adjusted Kentucky basis of transition property exceeds the adjusted federal basis of transition property; or
 2. Add to gross income twenty-five percent (25%) of the transition amount if the adjusted federal basis of transition property exceeds the adjusted Kentucky basis of transition property.
- (c) In the first taxable year beginning after December 31, 1993, if the transition amount does not exceed one hundred thousand dollars (\$100,000) and the taxpayer does not elect the provisions of paragraph (b) of this subsection, the taxpayer shall:
1. Deduct from gross income the total transition amount if the adjusted Kentucky basis of transition property exceeds the adjusted federal basis of transition property; or
 2. Add to gross income the total transition amount if the adjusted federal basis of transition property exceeds the adjusted Kentucky basis of transition property.
- (15) ***For taxable years beginning before January 1, 2028***, notwithstanding any other provision of this section to the contrary, any qualified farming operation, as defined in KRS 141.410, shall be allowed to compute the depreciation deduction for new buildings and equipment purchased to enable participation in a networking project, as defined in KRS 141.410, on an accelerated basis at two (2) times the rate that would otherwise be permitted under the provisions of this section. The accumulated depreciation allowed under this subsection shall not exceed the taxpayer's basis in such property.
- (16) (a) For property placed in service after September 10, 2001, only the depreciation deduction allowed under Section 168 of the Internal Revenue Code in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, shall be allowed.
- (b) For property placed in service after September 10, 2001, but prior to January 1, 2020, only the expense deduction allowed under Section 179 of the Internal Revenue Code in effect on December 31, 2001, exclusive of any amendments made subsequent to that date, shall be allowed.
- (c) For property placed in service on or after January 1, 2020, only the expense deduction allowed under Section 179 of the Internal Revenue Code in effect on December 31, 2003, exclusive of any amendments made subsequent to that date, shall be allowed, except that the phase-out provisions of Section 179 of the Internal Revenue Code, limiting the qualifying investment in property, shall not apply.

➔Section 56. KRS 151B.402 is amended to read as follows:

- (1) The General Assembly recognizes the critical condition of the educational level of Kentucky's adult population and seeks to stimulate the attendance at, and successful completion of, programs that provide a High School Equivalency Diploma. Incentives shall be provided to full-time employees who complete a High School Equivalency Diploma program within one (1) year and their employers.
- (2) The Office of Adult Education within the Department of Workforce Development in the Education and Labor Cabinet shall promulgate administrative regulations to establish the operational procedures for this section. The administrative regulations shall include but not be limited to the criteria for:
 - (a) A learning contract that includes the process to develop a learning contract between the student and the adult education instructor with the employer's agreement to participate and support the student;
 - (b) Attendance reports that validate that the student is enrolled and studying for the High School Equivalency Diploma during the release time from work; and
 - (c) Final reports that qualify the student for the tuition discounts under subsection (3)(a) of this section and that qualify the employer for tax credits under subsection (4) of the section.
- (3) (a) An individual who has been out of secondary school for at least three (3) years, develops and successfully completes a learning contract that requires a minimum of five (5) hours per week to study for the High School Equivalency Diploma program, and successfully earns a High School Equivalency Diploma shall earn a tuition discount of two hundred fifty dollars (\$250) per semester for a maximum of four (4) semesters at one (1) of Kentucky's public postsecondary institutions.

- (b) The program shall work with the postsecondary institutions to establish notification procedures for students who qualify for the tuition discount.
- (4) ***For taxable years beginning before January 1, 2028***, an employer who assists an individual to complete his or her learning contract under the provisions of this section shall receive a state tax credit against the income tax imposed by KRS 141.020 or 141.040, and the limited liability entity tax imposed by KRS 141.0401, with credit ordering as provided in KRS 141.0205 for a portion of the released time given to the employee to study for the tests. The application for the tax credit shall be supported with attendance documentation provided by the Office of Adult Education and calculated by multiplying fifty percent (50%) of the hours released for study by the student's hourly salary, and not to exceed a credit of one thousand two hundred fifty dollars (\$1250).
- (5) (a) ***By November 1, 2026, and each November 1 thereafter as long as the employer High School Equivalency Diploma program incentive credit is claimed under this section, the department shall report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue:***
1. ***The total number of returns claiming the credit for the taxable year;***
 2. ***The total amount of credit claimed for the taxable year;***
 3. ***By county, the total:***
 - a. ***Number of employers participating in the High School Equivalency Diploma program;***
 - b. ***Amount of High School Equivalency Diploma program incentive credit claimed; and***
 - c. ***Number of full-time employees who complete the High School Equivalency Diploma program;***
 4. ***By taxpayer:***
 - a. ***The name and location of the taxpayer claiming the credit as listed on the tax return;***
 - b. ***The total number of tax credits claimed for the taxable year;***
 - c. ***The total amount of credit claimed for the taxable year; and***
 - d. ***The number of individuals assisted with completion of the High School Equivalency Diploma for the taxable year; and***
 5.
 - a. ***In the case of 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 credit claimed and the total number of returns claiming this credit for each adjusted gross income range.***
 - b. ***In the case of corporations, based on ranges of net income of no larger than fifty thousand dollars (\$50,000) for the taxable year, the total amount of credit claimed and the total number of returns claiming this credit for each net income range.***
- (b) ***The Office of Adult Education shall assist by providing the department with the information necessary to help fulfill the requirements under this subsection.***
- (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.***

➔Section 57. KRS 171.396 is amended to read as follows:

As used in this section and KRS 171.3961 and 171.397 ***and Section 59 of this Act:***

- (1) ***"Affordable" means the occupant's housing costs, including utilities, total thirty percent (30%) or less of the occupant's gross income;***
- (2) ***"Certified historic structure" means a structure that is located within the Commonwealth of Kentucky that is:***
 - (a) ***Listed individually on the National Register of Historic Places; or***
 - (b) ***Located in a historic district listed on the National Register of Historic Places and is certified by the council as contributing to the historic significance of the district;***

- (3)~~(2)~~ "Certified rehabilitation" means a completed substantial rehabilitation of a certified historic structure that the council certifies meets the United States Secretary of the Interior's Standards for Rehabilitation;
- (4)~~(3)~~ "Certified rehabilitation credit cap" means an annual amount of ~~£~~:
- (a) ~~Three million dollars (\$3,000,000) for applications received prior to April 30, 2010;~~
- (b) ~~Five million dollars (\$5,000,000) for applications received on or after April 30, 2010, but before April 30, 2022; and~~
- (c) ~~one hundred million dollars (\$100,000,000) for applications received on or after:~~
- (a) April 30, 2022, **but before April 30, 2026**, allocated with:
1. Twenty-five percent (25%) of the credit cap awarded to owner-occupied residential property; and
 2. Seventy-five percent (75%) of the credit cap awarded to property other than owner-occupied residential property, which includes the major certified rehabilitation allowed under KRS 171.3963; **and**
- (b) **April 30, 2026, but before April 15, 2027, and on or before each April 15 thereafter, allocated with:**
1. **Fifteen percent (15%) of the credit cap awarded to owner-occupied residential property; and**
 2. **Eighty-five percent (85%) of the credit cap awarded to property other than owner-occupied residential property, including commercial residential property;**
- plus any ~~amounts~~~~(amount)~~ added to the certified rehabilitation credit cap pursuant to KRS 171.397(2)(c) **and Section 59 of this Act**;
- (5)~~(4)~~ "**Commercial residential property**" means a certified historic structure that:
- (a) **Is not owner-occupied residential property;**
- (b) **Has a minimum of fifty percent (50%) of its square footage designated to residential space which shall be available for lease, rent, or sale upon completion of the rehabilitation; and**
- (c) **Is affordable to individuals earning eighty percent (80%) or less of the median family income for a minimum of five (5) years after the building is placed in service;**
- (6) "Council" means the Kentucky Heritage Council;
- (7)~~(5)~~ "Disqualifying work" means work that is performed within three (3) years of the completion of the certified rehabilitation that, if performed as part of the rehabilitation certified under KRS 171.397 **and Section 59 of this Act**, would have made the rehabilitation ineligible for certification;
- (8)~~(6)~~ "Exempt entity" means any tax exempt organization pursuant to sec. 501(c)(3) of the Internal Revenue Code, any political subdivision of the Commonwealth, any state or local agency, board, or commission, or any quasi-governmental entity;
- (9)~~(7)~~ "Local government" means a city, county, urban-county, charter county, or consolidated local government;
- (10)~~(8)~~ "**Median family income**" means **the median family income for the county in which the residence is located as determined by the most recent American Community Survey Five-Year Estimate;**
- (11) "Owner-occupied residential property" means a building or portion thereof, condominium, or cooperative occupied by the owner as his or her principal residence;
- (12)~~(9)~~ "Qualified rehabilitation expense" means any amount that is properly chargeable to a capital account, whether or not depreciation is allowed under Section 168 of the Internal Revenue Code, and is expended **at any time** in connection with the certified rehabilitation of a certified historic structure. It shall include the cost of restoring landscaping and fencing that contributes to the historic significance of this structure, but shall not include the cost of acquisition of a certified historic structure, enlargement of or additions to an existing building, or the purchase of personal property;
- (13)~~(10)~~ "Substantial rehabilitation" means rehabilitation of a certified historic structure for which the qualified rehabilitation expenses, during a twenty-four (24) month period selected by the taxpayer or exempt entity, ending with or within the taxable year, exceed:

- (a) Twenty thousand dollars (\$20,000) for an owner-occupied residential property; or
- (b) For all other property, the greater of:
 - 1. The adjusted basis of the structure; or
 - 2. Twenty thousand dollars (\$20,000);

~~(14)~~~~(11)~~ "Taxpayer" means any individual, corporation, limited liability company, business development corporation, partnership, limited partnership, sole proprietorship, association, joint stock company, receivership, trust, professional service organization, or other legal entity through which business is conducted that:

- (a) Elects to claim the credit on a return and receive a refund as provided in KRS 171.397(2)(b)2.a. *and Section 59 of this Act*; or
- (b) Is the recipient of a credit which is transferred as provided in KRS 171.397(2)(b)2.b. *and Section 59 of this Act*; and

~~(15)~~~~(12)~~ "Qualified purchased historic home" means any substantially rehabilitated certified historic structure if:

- (a) The taxpayer claiming the credit authorized under KRS 171.397 *and Section 59 of this Act* is the first purchaser of the structure after the date of completion of the substantial rehabilitation;
- (b) The structure or a portion thereof will be the principal residence of the taxpayer; and
- (c) No credit was allowed to the seller under this section.

A qualified purchased historic home shall be deemed owner-occupied residential property for purposes of this section.

➔Section 58. KRS 171.397 is amended to read as follows:

- (1) (a) For all applications for a preliminary approval received prior to April 30, 2010, there shall be allowed as a credit against the taxes imposed by KRS 141.020, 141.040, 141.0401, or 136.505, an amount equal to:
 - 1. Thirty percent (30%) of the qualified rehabilitation expenses, in the case of owner-occupied residential property; and
 - 2. Twenty percent (20%) of the qualified rehabilitation expenses, in the case of all other property.

In the case of an exempt entity that has incurred qualified rehabilitation expenses, the credit provided in this subsection shall be available to transfer or assign as provided under subsection (8) or (9) of this section.

- (b) For applications for preliminary approval received on or after April 30, 2010, the credit shall be refundable if the taxpayer makes an election under subsection (2)(b) of this section.
- (2) (a) A taxpayer seeking the credit provided under subsection (1) of this section shall file an application for a preliminary determination of maximum credit eligibility before April 30 of the year in which the proposed project will begin. The application shall describe the project and shall include documentation supporting the qualification of the project for the credit, the proposed start date, the proposed completion date, the projected qualified rehabilitation expenses, and any other information the council may require. The council shall determine the preliminary maximum credit available for each taxpayer and shall notify the taxpayer of that amount by June 30 of the year in which the application was filed. If total credits applied for in any year exceed the certified rehabilitation credit cap, plus any amounts added to the cap pursuant to paragraph (c) of this subsection, the provisions of subsection (5) of this section shall be applied to reduce the approved credits for all taxpayers with qualifying applications for that year.
 - (b) 1. An application for a final determination of credit shall be submitted to the council upon completion of the project.
 - 2. The application shall include an irrevocable election by the taxpayer to:
 - a. Use the credit, in which case, the credit shall be refundable; or
 - b. Transfer the credit.

3. The council shall determine the final amount of credit approved for each taxpayer based upon the actual expenditures, preliminary determination of maximum credit, and a determination that the expenditures are qualified rehabilitation expenses.
 4. The council shall notify the taxpayer and Department of Revenue of the final approved credit amount within sixty (60) days of the receipt of a completed application from the taxpayer.
- (c)
1. If the total amount of credits finally approved for a taxpayer under paragraph (b) of this subsection are less than the credits initially approved for a taxpayer under paragraph (a) of this subsection, the difference between the two (2) amounts shall be added to the certified rehabilitation credit cap for the next calendar year.
 2. If the total amount of credits approved under paragraph (a) of this subsection in any calendar year is less than the certified rehabilitation credit cap, the difference between the credits actually awarded and the certified rehabilitation credit cap shall be added to the certified rehabilitation credit cap for the next calendar year.
- (3)
- (a) The maximum credit which may be claimed with regard to owner-occupied residential property shall be one hundred twenty thousand dollars (\$120,000) subject to subsection (5) of this section. The credit in this section shall be claimed for the taxable year in which the certified rehabilitation is completed.
 - (b) The maximum credit which may be claimed with regard to all other property that is not owner-occupied residential shall be ten million dollars (\$10,000,000) subject to subsection (5) of this section. The credit in this section shall be claimed for the taxable year in which the certified rehabilitation is completed.
- (4) In the case of a husband and wife filing separate returns or filing separately on a joint return, the credit may be taken by either or divided equally, but the combined credit shall not exceed one hundred twenty thousand dollars (\$120,000) if subject to the limitation in subsection (3)(a) of this section, or ten million dollars (\$10,000,000) if subject to the limitation in subsection (3)(b) of this section, subject to the provisions of subsection (5) of this section.
- (5) The credit amount approved for a calendar year for all taxpayers under subsection (2)(a) of this section shall be limited to the certified rehabilitation credit cap. When the total credits applied for and approved in any year under subsection (2)(a) of this section exceed the certified rehabilitation credit cap, the council shall apportion the certified rehabilitation credit cap as follows: The certified rehabilitation credit cap for the year under consideration shall be multiplied by a fraction, the numerator which is the approved credit amount for an individual taxpayer for a calendar year and the denominator which is the total approved credits for all taxpayers for a calendar year.
- (6)
- (a) For all applications received prior to April 30, 2010, if the credit amount that may be claimed in any tax year as determined under subsections (3) to (5) of this section exceeds the taxpayer's total tax liabilities under KRS 136.505, 141.020, or 141.040 and 141.0401, the taxpayer may carry the excess tax credit forward until the tax credit is used, provided that any tax credits not used within seven (7) years of the taxable year the certified rehabilitation was complete shall be lost.
 - (b) For all applications received on or after April 30, 2010, if the credit amount that may be claimed in any tax year as determined under subsections (3) to (5) of this section exceeds the taxpayer's total tax liabilities under KRS 136.505, 141.020, or 141.040 and 141.0401, the taxpayer may receive a refund, if the taxpayer elected to take the credit as required by subsection (2)(b) of this section.
- (7)
- (a) The credit shall apply against both the tax imposed by KRS 141.020 or 141.040 and the limited liability entity tax imposed by KRS 141.0401, with the ordering of credits as provided in KRS 141.0205.
 - (b)
 1. For applications received prior to April 30, 2010, if the taxpayer is a pass-through entity not subject to the tax imposed by KRS 141.040, the taxpayer shall apply the credit at the entity level against the limited liability tax entity imposed by KRS 141.0401, and shall also pass the credit through in the same proportion as the distributive share of income or loss is passed through.
 2. For applications received on or after April 30, 2010, if the taxpayer is a pass-through entity not subject to the tax imposed by KRS 141.040, the taxpayer shall apply the credit at the entity level against the limited liability tax entity imposed by KRS 141.0401, and may receive a refund if the taxpayer elected to take the credit as required by subsection (2)(b)2.a. of this section.

- (8) Credits received under this section may be transferred or assigned if an election is made under subsection (2)(b) of this section, for some or no consideration, along with any related benefits, rights, responsibilities, and liabilities to a financial institution as defined in KRS 141.010 subject to the taxes imposed by KRS 136.505, 141.040, or 141.0401. Within thirty (30) days of the date of any transfer of credits, the party transferring the credits shall notify the Department of Revenue of:
- (a) The name, address, employer identification number, and bank routing and transfer number, of the party to which the credits are transferred;
 - (b) The amount of credits transferred; and
 - (c) Any additional information the Department of Revenue deems necessary.

The provisions of this subsection shall apply to any credits that pass through to a successor or beneficiary of a taxpayer.

- (9) For purposes of this section, a lessee of a certified historic structure shall be treated as the owner of the structure if the remaining term of the lease is not less than the minimum period promulgated by administrative regulation by the council.
- (10) The taxes imposed in KRS 141.020, 141.040, and 141.0401 shall not apply to any consideration received for the transfer, sale, assignment, or use of a tax credit approved under this section.
- (11) The Department of Revenue shall assess a penalty on any taxpayer or exempt entity that performs disqualifying work, as determined by the Kentucky Heritage Council, on a certified historic structure for which a rehabilitation has been certified under this section in an amount equal to one hundred percent (100%) of the tax credit allowed on the rehabilitation. Any penalties shall be assessed against the property owner who performs the disqualifying work and not against any transferee of the credits.
- (12) The council may impose fees for processing applications for tax credits, not to exceed the actual cost associated with processing the applications.
- (13) The council may authorize a local government to perform an initial review of applications for the credit allowed under this section and forward the applications to the council with its recommendations.
- (14) The council and the Department of Revenue may promulgate administrative regulations in accordance with the provisions of KRS Chapter 13A to establish policies and procedures to implement the provisions of subsections (1) to (13) of this section.
- (15) The tax credit authorized by this section shall apply to tax periods ending on or after December 31, 2005.
- (16) *This section applies to applications received before April 30, 2026.*

➔SECTION 59. A NEW SECTION OF KRS CHAPTER 171 IS CREATED TO READ AS FOLLOWS:

- (1) *This section applies to applications received on or after April 30, 2026, but before April 15, 2027, and on or after each April 15 thereafter.*
- (2) (a) *There shall be allowed as a credit against the taxes imposed in KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, 304.3-270, 141.020 or 141.040 and 141.0401.*
- (b) *The amount of the credit shall be equal to:*
1. *Thirty percent (30%) of the qualified rehabilitation expenses, in the case of owner-occupied residential property;*
 2. *Thirty percent (30%) of the qualified rehabilitation expenses if the commercial residential property is affordable to households earning eighty percent (80%) of the median family income or less; or*
 3. *Twenty percent (20%) of the qualified rehabilitation expenses, in the case of all other property.*
- (b) *In the case of an exempt entity that has incurred qualified rehabilitation expenses, the credit provided in this subsection shall be available to transfer or assign as provided under subsection (8) of this section.*
- (c) *The credit shall be refundable if the taxpayer makes an election under subsection (3)(b) of this section.*

- (d) *An insurance company claiming a tax credit against the insurance premiums tax is not required to pay additional retaliatory tax levied pursuant to KRS 304.3-270.*
- (3) (a) 1. *A taxpayer seeking the credit provided under subsection (2) of this section shall file an application for a preliminary determination of maximum credit eligibility before:*
- a. *April 15; or*
 - b. *August 15*
- of the year in which the proposed project will begin.*
2. *The certified rehabilitation credit cap shall be allocated as follows, including any amounts added to the certified rehabilitation credit cap pursuant to paragraph (c) of this subsection:*
- a. *Fifty million dollars (\$50,000,000) for applications received before the date established in subparagraph 1.a. of this paragraph, except that the amount shall not exceed one hundred million dollars (\$100,000,000), including any amounts added under paragraph (c) of this subsection from a prior allocation period; and*
 - b. *Fifty million dollars (\$50,000,000) for applications received before the date established in subparagraph 1.b. of this paragraph, except that the amount shall not exceed one hundred million dollars (\$100,000,000), including any amounts added under paragraph (c) of this subsection from a prior allocation period.*
3. *In the event the full allocation in subparagraph (a)2.a. of this paragraph is not utilized for applications received by April 15, the remainder shall be made available for applications received in accordance with subparagraph 1.b. of this paragraph, not to exceed fifty percent (50%) of the total credit cap allocated in each application round under subparagraph 2. of this paragraph.*
4. *If the total amount of preliminary approvals for all applications received in a single application round under subparagraph 1.a. or 2.a. of this paragraph exceeds the cap of fifty million dollars (\$50,000,000) plus any amounts added to the credit cap, the council shall apportion the certified rehabilitation credit cap as follows:*
- a. *The certified rehabilitation credit cap for the application round under consideration shall be multiplied by a fraction, the numerator which is the approved credit amount for an individual taxpayer for an application round and the denominator which is the total approved credits for all taxpayers for an application round; and*
 - b. *Each taxpayer shall receive no more than their pro rata share of the certified rehabilitation credit cap allocated for the corresponding application round.*
5. *Applications submitted for preliminary approval shall be reviewed in the order in which they are received based on the date of the application.*
6. *The application shall describe the project and shall include documentation supporting the qualification of the project for the credit, the proposed start date, the proposed completion date, the projected qualified rehabilitation expenses, and any other information the council may require.*
7. *The council shall determine the preliminary maximum credit available for each taxpayer and shall notify the taxpayer of that amount by:*
- a. *June 30 for applications received on or before April 15 of the year in which the application was filed; or*
 - b. *October 30 for applications received on or before August 15 of the year in which the application was filed.*
- (b) 1. *An application for a final determination of credit shall be submitted to the council upon completion of the project. A taxpayer who is no longer the owner of the certified historic structure may apply for final determination of credit as long as the taxpayer received preliminary approval under paragraph (a)7. of this subsection and substantially rehabilitated the certified historic structure.*

2. *The application shall include an irrevocable election by the taxpayer to:

 - a. *Use the credit, in which case, the credit shall be refundable; or*
 - b. *Transfer the credit in accordance with subsection (8) of this section, in which case the credit shall be nonrefundable.**
 3. *The council shall determine the final amount of credit approved for each taxpayer based upon the actual expenditures, preliminary determination of maximum credit, and a determination that the expenditures are qualified rehabilitation expenses.*
 4. *The council shall notify the taxpayer and Department of Revenue of the final approved credit amount within sixty (60) days of the receipt of a completed application from the taxpayer.*
- (c)
1. *If the total amount of credits finally approved for a taxpayer under paragraph (b) of this subsection is less than the amount of the credits initially approved for a taxpayer under paragraph (a) of this subsection, the difference between the two (2) amounts shall be added to the certified rehabilitation credit cap for the next calendar year, except that in no case shall the amount allocated under paragraph (a)2.a. or b. of this subsection exceed one hundred million dollars (\$100,000,000), including any amounts added to the certified rehabilitation credit cap from prior calendar years. Any amount exceeding the one hundred million dollars (\$100,000,000) threshold is null and void as a carryover to any other allocation period.*
 2. *If the total amount of credits approved under paragraph (a) of this subsection in any calendar year is less than the certified rehabilitation credit cap, the difference between the credits actually awarded and the certified rehabilitation credit cap shall be added to the certified rehabilitation credit cap for the next calendar year.*
 3. *If the entire credit cap allocated for applications in paragraph (b) of this subsection is not entirely utilized for preliminary applications received under paragraph (a) of this subsection, the remaining portion shall be made available for all other properties having submitted preliminary applications within the same application round regardless of property type.*
- (4)
- (a) *The maximum credit which may be claimed with regard to owner-occupied residential property shall be one hundred twenty thousand dollars (\$120,000) subject to subsection (6) of this section. The credit in this section shall be claimed for the taxable year in which the certified rehabilitation is completed.*
 - (b) *The maximum credit which may be claimed with regard to all other property that is not owner-occupied residential shall be ten million dollars (\$10,000,000) subject to subsection (6) of this section. The credit in this section shall be claimed for the taxable year in which the certified rehabilitation is completed.*
- (5) *In the case of two (2) spouses filing separate returns or filing separately on a joint return, the credit may be taken by either or divided equally, but the combined credit shall not exceed one hundred twenty thousand dollars (\$120,000) if subject to the limitation in subsection (4)(a) of this section, or ten million dollars (\$10,000,000) if subject to the limitation in subsection (4)(b) of this section, subject to the provisions of subsection (6) of this section.*
- (6) *The credit amount approved for a calendar year for all taxpayers under subsection (3)(a) of this section shall be limited to the certified rehabilitation credit cap.*
- (7)
- (a) *The credit shall apply against the tax imposed by:

 1. *KRS 141.020 or 141.040 and the limited liability entity tax imposed by KRS 141.0401, with the ordering of the credits as provided in KRS 141.0205; and*
 2. *KRS 136.320, 136.330, 136.40, 136.350, 136.360, 136.370, 136.390, or 304.3-270.**
 - (b) *If the taxpayer is a pass-through entity not subject to the tax imposed by KRS 141.040, the taxpayer shall apply the credit at the entity level against the limited liability the credit at the entity level against the limited liability entity tax imposed by KRS 141.0401, and shall also pass the credit through in the same proportion as the distributive share of income or loss is passed through.*
- (8)
- (a) *Credits received under this section may be transferred or assigned if an election is made under subsection (3)(b) of this section, for some or no consideration, along with any related benefits, rights, responsibilities, and liabilities to any person or entity subject to the taxes imposed in:*

1. *KRS 141.020, or 141.040 and 141.0401; or*
 2. *KRS 136.320, 136.330, 136.340, 136.350, 136.360, 136.370, 136.390, or 304.3-270.*
- (b) *Within thirty (30) days of the date of any transfer of credits, the party transferring the credits shall notify the Department of Revenue of:*
1. *The name, address, employer identification number, and bank routing and transfer number, of the party to which the credits are transferred;*
 2. *The amount of credits transferred; and*
 3. *Any additional information the Department of Revenue deems necessary.*
- (b) *Any taxpayer receiving transferred credit under this subsection may carry forward unused credit for a period not to exceed seven (7) taxable years from which the certified rehabilitation was complete.*

The provisions of this subsection shall apply to any credits that pass through to a successor or beneficiary of a taxpayer.

- (9) *For purposes of this section, a lessee of a certified historic structure shall be treated as the owner of the structure if the remaining term of the lease is not less than the minimum period promulgated by administrative regulation by the council.*
- (10) *The taxes imposed in KRS 141.020, 141.040, and 141.0401 shall not apply to any consideration received for the transfer, sale, assignment, or use of a tax credit approved under this section.*
- (11) (a) *The Department of Revenue shall assess a penalty in an amount equal to one hundred percent (100%) of the tax credit allowed on the rehabilitation on any taxpayer or exempt entity that:*
1. *Performs disqualifying work, as determined by the Kentucky Heritage Council, on a certified historic structure for which a rehabilitation has been certified; and*
 2. *If credit allowed based on affordability, fails to maintain compliance with the commercial residential property requirement established in subsection (5) of Section 56 of this Act, as determined by the council and the Kentucky Housing Corporation.*
- (b) *Any penalties shall be assessed under paragraph (a) of this subsection shall be assessed against the property owner and not against any transferee of the credits.*
- (12) *The council may impose fees for processing applications for tax credits, not to exceed the actual cost associated with processing the applications.*
- (13) *The council may authorize a local government to perform an initial review of applications for the credit allowed under this section and forward the applications to the council with its recommendations.*
- (14) *The council and the Department of Revenue may promulgate administrative regulations in accordance with the provisions of KRS Chapter 13A to implement this section.*

➔Section 60. KRS 141.382 is amended to read as follows:

- (1) As used in this section:
- (a) "Certified historic structure" means the same as defined in KRS 171.396;
 - (b) "Qualified rehabilitation expense" means the same as defined in KRS 171.396; and
 - (c) "Substantial rehabilitation" means the same as defined in KRS 171.396.
- (2) A refundable or transferable credit in the amount determined in KRS 171.397 *and Section 59 of this Act* shall be allowed against the taxes imposed by KRS 136.505 or 141.020 or 141.040 and 141.0401, with the ordering of credits provided in KRS 141.0205, for qualified rehabilitation expenses incurred by the taxpayer and used for substantial rehabilitation to a certified historic structure.

➔Section 61. KRS 171.3961 is amended to read as follows:

- (1) For taxable years beginning on or after January 1, 2014, a taxpayer completing a certified rehabilitation to a certified historic structure shall be allowed a credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, or KRS 136.505 if:

- (a) The certified historic structure is located within the jurisdiction of a consolidated local government or urban-county government;
 - (b) The amount of qualified rehabilitation expenses exceeds fifteen million dollars (\$15,000,000);
 - (c) The certified historic structure is located within one-half (1/2) mile of a tax increment financing development area which has received at least preliminary approval under KRS 65.490 or 154.30-050; and
 - (d) Substantial rehabilitation of the certified historic structure begins prior to July 1, 2015.
- (2) (a) The credit shall:
- 1. Equal the percentage of qualified rehabilitation expenses as provided in KRS 171.397(1)(a) *and Section 59 of this Act*;
 - 2. Only apply to the first thirty million dollars (\$30,000,000) of qualified rehabilitation expenses; and
 - 3. Be refundable and transferable.
- (b) Any projects approved for a credit under this section shall not be subject to any caps established by KRS 171.397 and shall not be considered in determining whether the certified rehabilitation credit cap has been met in any year.
- (3) The taxpayer seeking the credit shall file the applications for preliminary determination and final determination as provided by KRS 171.397(2) *and Section 59 of this Act*.
- (4) The total approved credit shall be available over a four (4) year period and the maximum credit which may be claimed in a taxable year shall not exceed twenty-five percent (25%) of the total approved credit.
- (5) The provisions of KRS 171.397(9) to (14) *and Section 59 of this Act* shall also apply to this section.

➔SECTION 62. A NEW SECTION OF KRS CHAPTER 198A IS CREATED TO READ AS FOLLOWS:

- (1) *The corporation shall work with the Kentucky Heritage Council to administer the certified rehabilitation credit permitted by Section 59 of this Act.*
- (2) *For commercial residential property that is granted credit based on thirty percent (30%) of qualified rehabilitation expenses for providing housing that is affordable to households earning eighty percent (80%) or less of the median family income, the corporation shall ensure that the commercial residential property remain compliant with this requirement for a minimum of five (5) years within the completion of the certified rehabilitation.*
- (3) *The corporation, in conjunction with the Kentucky Heritage Council and the Department of Revenue, may promulgate administrative regulations in accordance with KRS Chapter 13A to establish policies and procedures to ensure compliance with this section.*

➔Section 63. KRS 441.135 is amended to read as follows:

- (1) The jailer may maintain a canteen for the benefit of prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation.
- (2) All profits from the canteen shall be used:
- (a) For the benefit and to enhance the well-being of the prisoners; or
 - (b) To enhance safety and security within the jail.

The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.

- (3) Allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes.
- (4) Except in counties containing an urban-county government or a consolidated local government, in order to ensure adequate, ongoing funding of jail canteen accounts, beginning July 1, 2007, and on the first day of each fiscal year thereafter, the jail canteen account balance shall at least equal the following amounts based on the average daily inmate population of the jail:
- (a) 300 prisoners or more\$6,000

- (b) 200 to 299 prisoners.....\$4,000
- (c) 100 to 199 prisoners.....\$2,000
- (d) 99 or fewer prisoners\$1,000

- (5) For purposes of calculating the amount to be transferred to the jail canteen account, the average daily number of inmates shall be equal to the average daily inmate population of the jail in the immediately preceding fiscal year.
- (6) *Notwithstanding KRS 67.0802(6)(a), compensation resulting from the disposal of real or personal property that was purchased from a canteen account shall be returned to the canteen account from which the real or personal property was originally purchased. The jailer shall report all proceeds received from the disposal of property for the year to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue by December 1 of each year.*

➔SECTION 64. A NEW SECTION OF KRS CHAPTER 224A IS CREATED TO READ AS FOLLOWS:

A one-half of one percent (0.5%) administrative fee shall be paid to the Kentucky Infrastructure Authority for the administration of each project funded by the infrastructure for economic development fund for coal-producing counties and the infrastructure for economic development fund for tobacco counties. These administrative fees shall be paid, upon inception of the project, out of the fund from which the project was allocated.

➔Section 65. KRS 43.050 is amended to read as follows:

- (1) The Auditor constitutes an agency independent of the administrative departments enumerated in KRS 12.020, it being the policy of the General Assembly to provide for the independent auditing of the accounts, financial transactions, and performance of all spending agencies of the state through a disinterested auditor, who is entirely independent of the state administration whose affairs he is called upon to audit.
- (2) The Auditor may:
 - (a) Audit annually, and at such other times as may be deemed expedient, the accounts of all state agencies, all private and semiprivate agencies receiving state aid or having responsibility for the handling of any state funds, the accounts, records, and transactions of the budget units, and the general accounts of the state;
 - (b) Make a complete audit and verification of all moneys handled for the account of the state government by local officials charged with the collection of fees or other money for or on behalf of the state, when an audit is demanded in writing by the Legislative Research Commission, the secretary of the Finance and Administration Cabinet, or the Governor, and may make an audit when it is not so demanded;
 - (c) Examine periodically the performance, management, conduct, and condition of all asylums, prisons, institutions for the intellectually disabled, and eleemosynary institutions; public works owned, operated, or partly owned by the state, or in the conduct or management of which the state has any financial interest or legal power; and state agencies. The examinations shall give special attention to the faithful and economical application of any money appropriated by the state to the institution, public works, or state agency examined, or of any money in which the state has an interest;
 - (d) Examine annually the management and condition of the offices of the Finance and Administration Cabinet, the State Treasurer, and the chief state school officer, to determine whether the laws regulating their duties are being fully complied with, and all money received by them for the state fully accounted for;
 - (e) Examine, at least biennially, the Finance and Administration Cabinet's compliance with this section and KRS 48.111 and 56.800 to 56.823. Within sixty (60) days of the completion of each examination, the Auditor shall report his findings and recommendations to the Capital Projects and Bond Oversight Committee;
 - (f) Audit periodically all state revenue collections, and, if he finds that collections are not being satisfactorily made, report that fact to the authority whose duty it is to make the collections;
 - (g) Make special audits and investigations when required by the Governor;

- (h) Investigate the means of accounting for, controlling, and insuring the safe custody of all property of the state, and verify the existence and condition of such property charged to, or held in the custody of any state agency;
 - (i) Audit the statements of financial condition and operations of the state government, and certify in writing the results of the audit and examination with the comments he deems necessary for the information of the General Assembly;
 - (j) Report immediately in writing to the Governor, the Legislative Research Commission, and the secretary of the Finance and Administration Cabinet, any unauthorized, illegal, irregular, or unsafe handling or expenditure of state funds, or other improper practice of financial administration, or evidence that any such handling, expenditure, or practice is contemplated, and any obstruction of the Auditor or his agents during the conduct of any audit or investigation of a state agency; and
 - (k) Assist the Legislative Research Commission at hearings and investigations conducted by it and cooperate with the Legislative Research Commission in the preparation of its reports to the General Assembly.
- (3) The Auditor may investigate and examine into the conduct of all state and county officers who are authorized to receive, collect, or disburse any money for the state, or who manage or control any property belonging to the state or in which the state is interested, or who make estimates or records that are used as a basis by any state agency in the disbursement of public funds.
- (4) The Auditor may conduct a special audit or examination of a city government or any of its agencies or departments.
- (5) ***The Auditor may receive appropriations from the general fund for audits of the statewide systems of personnel and payroll, cash and investments, revenue collection, and the state accounting system.*** Except where otherwise provided, any expenses incurred by the Auditor for ***any other audit, examination, investigation, or review, including a required audit of federal funds,*** ~~audits, examinations, investigations, or reviews~~ shall be charged to the entity that is the subject of the audit, examination, investigation, or review. The Auditor shall maintain a record of all time expenses for each audit, examination, investigation, or review.
- (6) The Auditor may provide consulting services, in accordance with auditing standards generally accepted in the United States and government auditing standards, to state or local government entities and associations of such entities, including special purpose governmental entities, and may charge a mutually agreed upon rate for those services, including:
- (a) Providing training and technical presentations;
 - (b) Developing audit guides applicable to those entities;
 - (c) Developing question and answer documents to promote understanding of technical issues or standards; and
 - (d) Collaborating with other professional organizations to advance auditing of government entities and programs.
- (7) The Auditor shall not be responsible for the keeping of any accounts of the state, except accounts relating to his own operations. The Auditor shall not be responsible for the collection of any money due the state, or for the handling or custody of any state funds or property except in the process of counting and verifying the amounts of the funds or property in the course of the audits provided for in this section.

➔Section 66. KRS 18A.080 is amended to read as follows:

- (1) (a) Except as provided in KRS 18A.200, members of the board shall receive compensation of one hundred dollars (\$100) per diem for each meeting of the board and reimbursement for actual and necessary expenses in accordance with state regulations and standards applicable to state employees.
- (b)~~(2)~~ In addition to payments for attendance at board meetings all board members may also be paid one hundred dollars (\$100) for each day spent in the preparation of recommended orders, the review of transcripts or other matters related to appeals before the board.
- (c)~~(3)~~ Any board member missing three (3) consecutive regular meetings shall be deemed to have vacated his office. Replacements to the board shall be made as provided in KRS 18A.050(2) and 18A.060.

- (2) *Each agency of the executive branch of state government with employees covered by this chapter shall be annually assessed for the amount required for the operation of the Personnel Board. The agency assessment shall be determined by the secretary of the Finance and Administration Cabinet based on the authorized full-time positions of each agency on July 1 of each year of the biennium. The Finance and Administration Cabinet shall collect the assessment.*

➔Section 67. KRS 151.723 is amended to read as follows:

- (1) The rate of the water use fees collected by the authority shall be set for each year of the biennium based upon a total amount of funds necessary to carry out only those functions, projects, and expenses authorized by the General Assembly in the authority's biennial budget.
- (2) At the time the authority submits its budget to the Governor's Office of Policy and Management, it shall certify to the General Assembly the total amount of water use reported for the preceding biennium by users subject to the water use fees. At least thirty (30) days prior to the effective date of the authority's budget, the authority shall establish a rate for each water use fee based upon an amount of water use projected for each year of the biennium from the amount reported, calculated to generate the amount of funds necessary to carry out the functions, projects, and expenses which have been authorized by the General Assembly to be funded by the fees. The rate shall be an amount for each one thousand (1,000) gallons of water use and shall be effective for at least one (1) year.
- (3) The authority shall define by administrative regulation those uses of the Kentucky River or the waters of the Kentucky River basin subject to a water use fee. Water use fees shall not apply to facilities using water for agricultural purposes. The authority shall collect the fees on a quarterly basis and pay the collected fees into the State Treasury to the credit of a restricted fund for use by the authority.
- (4) *Water withdrawal fees imposed by the authority shall not be subject to state and local taxes. Notwithstanding KRS 151.710(10), Tier 1 water withdrawal fees shall be used to support the operations of the authority and for contractual services for water supply and quality studies.*

➔Section 68. KRS 304.17B-021 is amended to read as follows:

- (1) In addition to the other powers enumerated in KRS 304.17B-001 to 304.17B-031, the Office of Health Data and Analytics shall assess insurers in the amounts specified in this section. The assessment shall be used for the purpose of funding GAP losses and Kentucky Access.
 - (a) The amount of the assessment for each calendar year shall be as follows:
 1. From each stop-loss carrier, an amount that is equal to two dollars (\$2) upon each one hundred dollars (\$100) of health insurance stop-loss premiums;
 2. From all insurers, an amount based on the total amount of all health benefit plan premiums earned during the prior assessment period and paid by all insurers who received any of the health benefit plan premiums on which the annual assessment is based. The percentage rate used for the annual assessment shall be the same percentage rate as calculated in the GAP risk adjustment process for the six (6) month period of July 1, 1998, through December 31, 1998;
 3. If determined necessary by the office, a second assessment may be assessed in the same manner as the annual assessment in subparagraph 2. of this paragraph; and
 4. In no event shall the sum of the first assessment provided for in subparagraph 2. of this paragraph and the second assessment provided for in subparagraph 3. of this paragraph be greater than one percent (1%) of the total amount of all assessable health benefit plan premiums earned during the prior assessment period.
 - (b) The first assessment shall be for the period from January 1, 2000, through December 31, 2000, and shall be paid on or before March 31, 2001. Subsequent annual assessments shall be paid on or before March 31 of the year following the assessment period.
- (2) Every supporting insurer shall report to the office, in a form and at the time as the office may specify, the following information for the specified period:
 - (a) The insurer's total stop-loss premiums and health benefit plan premiums in the individual, small group, large group, and association markets; and
 - (b) Other information as the office may require.

- (3) As part of the assessment process, the office shall establish and maintain the Kentucky Access fund. All funds shall be held at interest, in a single depository designated in accordance with KRS 304.8-090(1) under a written trust agreement in accordance with KRS 304.8-095. All expense and revenue transactions of the fund shall be posted to the Management Administrative Reporting System (MARS) and its successors.
- (4) The Kentucky Access fund shall be funded from the following sources:
- (a) Premiums paid by Kentucky Access enrollees;
 - (b) The funds designated for Kentucky Access in the Kentucky Health Care Improvement fund;
 - (c) Appropriations from the General Assembly;
 - (d) ~~{All premium taxes collected under KRS Chapter 136 from any insurer, and any retaliatory taxes collected under KRS 304.3 270 from any insurer, for accident and health premiums that are in excess of the amount of the premium taxes and retaliatory taxes collected for the calendar year 1997;~~
 - ~~(e)~~ Annual assessments from supporting insurers;
 - ~~(e){(f)}~~ A second assessment from supporting insurers;
 - ~~(f){(g)}~~ Gifts, grants, or other voluntary contributions;
 - ~~(g){(h)}~~ Interest or other earnings on the investment of the moneys held in the account; and
 - ~~(h){(i)}~~ Any funds remaining on January 1, 2001, in the guaranteed acceptance program account may be transferred to the Kentucky Access fund.
- (5) The office shall determine on behalf of Kentucky Access the premiums, the expenses for administration, the incurred losses, taking into account investment income and other amounts needed to satisfy reserves, estimated claim liabilities, and other obligations for each calendar year. The office shall also determine the amount of the actual guaranteed acceptance program plan losses for each calendar year. The office shall assess insurers as follows:
- (a) On or before March 31 of each year, the amount set forth in subsection (1)(a)1. and (1)(a)2. of this section.
 - (b) If the amount of actual guaranteed acceptance program plan losses exceeds the assessment provided for in paragraph (a) of this subsection, a second assessment shall be authorized under subsection (1)(a)3. of this section. If the amount of GAP losses exceeds the assessments provided under subsection (1)(a)1., subsection (1)(a)2., and subsection (1)(a)3. of this section, moneys received and available from the Kentucky Health Care Improvement Fund after the office determines available funding for Kentucky Access for the current calendar year pursuant to subsection (6) of this section, shall be used to reimburse GAP participating insurers for any actual guaranteed acceptance program losses. If the amount of GAP losses exceeds the amount in the Kentucky Health Care Improvement Fund after reserving sufficient funds for Kentucky Access for the current year, each GAP participating insurer shall be reimbursed up to the amount of its proportional share of actual guaranteed acceptance program losses from the fund. Effective for any assessment on or after January 1, 2001, in calculating GAP losses, total premiums and total claims of the GAP participating insurer shall be used. Actual guaranteed acceptance program losses shall be calculated as the difference between the total GAP claims and the total GAP premiums on an aggregate basis.
 - (c) If GAP losses are fully covered by the assessment process provided for in subsection (1)(a)1. and (1)(a)2. of this section and the second assessment provided for in subsection (1)(a)3. of this section is not necessary to cover GAP losses, and as determined by the office using reasonable actuarial principles Kentucky Access funding is needed, a second assessment provided for in subsection (1)(a)3. of this section shall be completed.
- (6) After the end of each calendar year, GAP losses shall be reimbursed only after the office determines that appropriate funding is available for Kentucky Access for the current calendar year. GAP losses shall be reimbursed after reserving sufficient funds for Kentucky Access.
- (7) With respect to a GAP participating insurer who reasonably will be expected both to pay assessments and to receive payments from the assessment fund, the office shall calculate the net amount owed to or to be received from the fund, and the office shall only collect assessments for or make payments from the fund based upon net amounts.

- (8) Insurers paying an assessment may include in any health insurance rate filing the amount of these assessments as provided for in Subtitle 17A of this chapter.
- (9) Insurers shall pay any assessment amounts authorized in KRS 304.17B-001 to 304.17B-031 within thirty (30) days of receiving notice from the office of the assessment amount.
- (10) Any surpluses remaining in the Kentucky Access fund after completion of the assessment process for a calendar year shall be maintained for use in the assessment process for future calendar years and such funds shall not lapse. The general fund appropriations to the Kentucky Access fund shall not lapse.
- (11) Assessments on health benefit plan premiums that are required under KRS 304.17B-001 to 304.17B-031 shall not be applied to premiums received by an insurer for state employees, Medicaid recipients, Medicare beneficiaries, and CHAMPUS insureds.
- (12) The office shall direct that receipts of Kentucky Access be held at interest, and may be used to offset future losses or to reduce plan premiums in accordance with the terms of KRS 304.17B-001 to 304.17B-031. As used in this subsection, "future losses" may include reserves for incurred but not reported claims.
- (13) The office shall conduct examinations of insurers and stop-loss carriers reasonably necessary to determine if the information provided by the insurers or stop-loss carriers is accurate.
- (14) The insurer, as a condition of conducting health insurance business in Kentucky, shall pay the assessments specified in KRS 304.17B-001 to 304.17B-031.
- (15) The stop-loss carrier, as a condition of doing health insurance business in Kentucky, shall pay the assessments specified in KRS 304.17B-001 to 304.17B-031.

➔Section 69. KRS 11.068 is amended to read as follows:

- (1) There is created an agency of state government known as the Office of State Budget Director. The office shall be attached for administrative purposes to the Office of the Governor.
- (2) The office shall include the following major organizational units:
 - (a) The Office of State Budget Director, headed by the state budget director. The state budget director shall be appointed by the Governor pursuant to KRS 11.040 and shall serve, under direction of the Governor, as state budget director and secretary of the state planning committee. The office shall include such principal assistants and supporting personnel appointed pursuant to KRS Chapter 12 as may be necessary to carry out the functions of the office. The office shall have such duties, rights, and responsibilities as are necessary to perform, without being limited to, the following functions:
 1. Functions relative to the preparation, administration, and evaluation of the executive budget as provided in KRS Chapters 45 and 48 and in other laws, including but not limited to, capital construction budgeting, evaluation of state programs, program monitoring, financial and policy analysis and issue review, and executive policy implementation and compliance;
 2. Continuous evaluation of statewide management and administrative procedures and practices, including but not limited to economic forecasting, technical assistance to state agencies, forms control, and special analytic studies as directed by the Governor; and
 3. Staff planning functions of the state planning committee and evaluation of statewide management and administrative practices and procedures.
 - (b) Governor's Office for Policy and Management, headed by the state budget director. The state budget director shall maintain staff employed pursuant to KRS Chapter 18A sufficient to carry out the functions of the office relating to state budgeting as provided in paragraph (a) of this subsection and state planning as provided in KRS Chapter 147, review of administrative regulations proposed by executive agencies prior to filing pursuant to KRS Chapter 13A and such other duties as may be assigned by the Governor.
 - (c) Governor's Office for Policy Research, headed by the state budget director. The Governor's Office for Policy Research shall assist the state budget director in providing policy research data, information, and analysis to the Governor on public policy issues that impact the Commonwealth. The state budget director shall identify and direct the research to be completed and provided by the office. The state budget director shall maintain staff employed in accordance with KRS Chapter 18A sufficient to carry out the functions of the office.

- (d) Governor's Office for Economic Analysis, headed by the state budget director. The state budget director shall maintain staff employed in accordance with KRS Chapter 18A sufficient to carry out the functions of the office. The Governor's Office for Economic Analysis shall carry out the revenue estimating and economic analysis functions and responsibilities, including but not limited to the functions and responsibilities assigned to the Office of State Budget Director by KRS Chapter 48. The Governor's Office for Economic Analysis shall perform the tax administrative function of using tax data to provide the Department of Revenue with studies, projections, statistical analyses, and any other information that will assist the Department of Revenue in performing its tax administrative functions.
- (3) (a) *As used in this subsection, "tax expenditure" means an exemption, exclusion, or deduction from the base of a tax, a credit against the tax, a deferral of a tax, or a preferential tax rate.*
- (b) *On or before September 1, 2026, and every September 1 thereafter, the Office of State Budget Director shall publish on its website detailed estimates of the general fund and road fund for the current and next two (2) fiscal years of the revenue loss resulting from tax expenditures.*
- (c) *The Department of Revenue shall provide assistance and furnish data that is not restricted by KRS 131.190.*
- (d) *The estimates shall include for each tax expenditure:*
1. *The amount of revenue loss;*
 2. *A citation of the legal authority for the tax expenditure;*
 3. *The year in which the tax expenditure was enacted; and*
 4. *The tax year in which the tax expenditure became effective.*

➔SECTION 70. A NEW SECTION OF KRS CHAPTER 16 IS CREATED TO READ AS FOLLOWS:

Notwithstanding any statute to the contrary, the department shall bill and accept payment from nonstate-operated event sponsors for security services provided by the department.

➔SECTION 71. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO READ AS FOLLOWS:

(1) *As used in this section:*

(a) *"Consumer" means a:*

1. *Kentucky resident who purchases an event contract through a prediction market; or*
2. *Person who is not a Kentucky resident who purchases an event contract through a prediction market while in Kentucky;*

(b) *"Department" means the Department of Revenue;*

(c) *"Event contract":*

1. *Means an agreement, contract, transaction, or swap in an excluded commodity based on the occurrence, extent of an occurrence, or contingency other than a change in the price, rate, value, or levels of a commodity described in 7 U.S.C. sec. 1a(19)(i), as amended; and*
2. *Does not include:*
 - a. *Any contract of sale of a commodity for future delivery, or any option on such a contract, executed on or subject to the rules of a designated contract market; or*
 - b. *Any swap or derivative based on:*
 - i. *An agricultural commodity;*
 - ii. *An exempt commodity; or*
 - iii. *Any excluded commodity not subject to subparagraph 1. of this paragraph, as the terms are defined in the Commodity Exchange Act;*

(d) *"Person" has the same meaning as in KRS 139.010;*

(e) *"Prediction market":*

1. *Means:*

- a. *Any physical or electronic platform through which a consumer may buy, sell, or exchange event contracts, whether the market is located in or out of the state; or*
 - b. *Any platform or system that provides consumers with the ability to open speculative positions on the outcomes of future events; and*
 - 2. *May be a board of trade designated as a contract market by the Commodity Futures Trading Commission;*
 - (f) *"Prediction market operator":*
 - 1. *Means a board of trade or other person, including any affiliate of the person, that operates a prediction market; and*
 - 2. *Includes but is not limited to a person that satisfies the requirements of this subsection through the ownership, operation, or control of a digital distribution service, digital distribution platform, online portal, or application store where a prediction market may be accessed;*
 - (g) *"Speculative position" means a financial commitment made by a consumer in a prediction market; and*
 - (h) *"Transaction fee" means:*
 - 1. *The fee charged by the prediction market operator to complete a sale, purchase, or trade of an event contract to a consumer; and*
 - 2. *The amount paid by a consumer to purchase an event contract from a prediction market operator.*
 - (2) *On and after January 1, 2027, an excise tax is hereby imposed on a prediction market operator at the rate of fourteen and one-quarter percent (14.25%) of the prediction market operator's transaction fees. The accrual method of accounting shall be used for purposes of calculating the amount of tax owed by the prediction market operator under this subsection.*
 - (3) *The tax imposed by subsection (2) of this section is due and payable monthly and shall be remitted to the department on or before the twentieth day of the next succeeding calendar month.*
 - (4) *The prediction market operator's payment shall be accompanied by a return prescribed by the department indicating the amount of tax due for the previous calendar month as well as any other information the department shall require through an administrative regulation promulgated in accordance with KRS Chapter 13A.*
 - (5) *Any prediction market operator who violates any provision of this section shall be subject to the uniform civil penalties imposed under KRS 131.180.*
 - (6) *In every case, any tax not paid on or before the due date shall bear interest at the tax interest rate as defined in KRS 131.010 from the due date until the date of payment.*
 - (7) *It is the purpose and intent of the General Assembly to levy taxes on persons engaged in the operations of a prediction market. It is not the intent of the General Assembly to legalize these activities.*
- ➔SECTION 72. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO READ AS FOLLOWS:
- (1) (a) *A fantasy contest service provider shall be liable for the payment of the tax levied in Section 9 of this Act.*
 - (b) *A prediction market operator shall be liable for the payment of the tax levied in Section 71 of this Act.*
 - (2) *Notwithstanding anything in this chapter to the contrary, the president, vice president, secretary, treasurer, or any other person holding any equivalent corporate office of any corporation subject to Section 9 or 71 of this Act shall be personally and individually liable, both jointly and severally, for the taxes imposed by Section 9 or 71 of this Act.*
 - (3) *Corporate dissolution, withdrawal of the corporation from the state, or the cessation of holding any corporate office shall not discharge the liability of any person. The personal and individual liability shall apply to every person holding a corporate office at the time the tax becomes or became due.*

- (4) *Notwithstanding any provision of this chapter or KRS 275.150, 362.1-306(3) or predecessor law, or 362.2-404(3) to the contrary, the managers of a limited liability company, the partners of a limited liability partnership, and the general partners of a limited liability limited partnership or any other person holding any equivalent office of a limited liability company, limited liability partnership, or limited liability limited partnership subject to Section 9 or 71 of this Act shall be personally and individually liable, both jointly and severally, for the fantasy sports service provider or prediction market operator taxes.*
- (5) *Dissolution, withdrawal of the limited liability company, limited liability partnership, or limited liability limited partnership from the state, or the cessation of holding any office shall not discharge the liability of any person. The personal and individual liability shall apply to every manager of a limited liability company, partner of a limited liability partnership, or general partner of a limited liability limited partnership at the time the tax becomes or became due.*
- (6) *A person shall not be personally and individually liable under this section if the person had no authority to collect, truthfully account for, or pay over any tax at the time the taxes imposed become or became due.*
- (7) *"Taxes," as used in this section, includes interest accrued at the rate provided by KRS 131.183, all applicable penalties imposed under this chapter, and all applicable penalties imposed under KRS 131.180, 131.410 to 131.445, and 131.990.*

➔Section 73. KRS 132.017 is amended to read as follows:

- (1) As used in this section:
- (a) "Local governmental entity" includes a county fiscal court and legislative body of a city, urban-county government, consolidated local government, charter county government, unified local government, or other taxing district; and
- (b) "Next regular election" means the regular election that occurs immediately after all statutory requirements for levying a property tax rate have been met, regardless of whether the election occurs in the same or a subsequent calendar year as the levy of the property tax rate.
- (2) (a) 1. Except as provided in subparagraph 2. of this paragraph, the portion of a tax rate levied by an ordinance, order, resolution, or motion of a *taxing district*~~{local governmental entity or district board of education}~~ subject to recall as provided for in KRS 68.245, 132.023, 132.027, and 160.470, shall go into effect forty-five (45) days after its passage *if a petition is not filed to challenge the levy. If a petition is filed, the levy shall be suspended in accordance with paragraph (e) of this subsection.*
2. When a tax rate is levied by a ~~{district board of education or other}~~ taxing district that is primarily located in a county *with a population of three hundred thousand (300,000) or more inhabitants*~~{containing an urban county government or a consolidated local government}~~, the portion of a tax rate levied by an ordinance, order, resolution, or motion of a ~~{district board of education or other}~~ taxing district subject to recall as provided for in KRS 68.245, 132.023, 132.027, and 160.470, shall go into effect fifty (50) days after its passage *if a petition is not filed to challenge the levy. If a petition is filed, the levy shall be suspended in accordance with paragraph (e) of this subsection.*
- (b) During the same forty-five (45) day or fifty (50) day time period provided by paragraph (a) of this subsection, any three (3) qualified voters, who reside in the area where the tax levy will be imposed, may commence petition proceedings to protest the passage of the ordinance, order, resolution, or motion *levied by a taxing district* by filing an affidavit with the county clerk. The affidavit shall state:
1. The three (3) qualified voters constitute the members of the petition committee;
 2. The petition committee will be responsible for circulating the petition;
 3. The petition committee will file the petition in the proper form within the same forty-five (45) day or fifty (50) day time period provided by paragraph (a) of this subsection;
 4. The names and addresses of the petition committee members;
 5. The address to which all notices to the committee are to be sent; and
 6. For petition committees filing petitions in response to a tax rate levied by a ~~{district board of education or other}~~ taxing district that is primarily located in a county *with a population of three hundred thousand (300,000) or more inhabitants*~~{containing an urban county government or a~~

~~consolidated local government~~], whether or not the petition committee is willing to incur all of the expenses associated with electronic petition signatures. If the petition committee is not willing to incur all of the expenses, then electronic petition signatures shall not be allowed for the petition.

- (c) Upon receipt of the affidavit, the county clerk shall immediately:
1. Notify the petition committee of all statutory requirements for the filing of a valid petition under this section;
 2. Notify the petition committee that the clerk will publish a notice identifying the tax levy being challenged and providing the names and addresses of the petition committee ***on the home page of the clerk's website and*** in a newspaper of general circulation within the county, if:
 - a. There is a newspaper within the county in which to publish the notice; and
 - b. The petition committee remits an amount equal to the cost of publishing the notice ***in the newspaper as*** determined in accordance with the provisions of KRS 424.160 at the time of the filing of the affidavit.

If the petition committee elects to have the notice published, the clerk shall publish the notice within five (5) days of receipt of the affidavit; and

3. Deliver a copy of the affidavit to the ***taxing district levying the tax***~~[appropriate local governmental entity or district board of education]~~.
- (d) The petition shall meet the following requirements:

1. All papers of the petition shall be substantially uniform in size and style and shall be assembled in one (1) instrument for filing;
2. Each sheet of the petition may contain the names of voters from more than one (1) voting precinct;
3. Each nonelectronic petition signature shall be executed in ink or indelible pencil;
4. Each electronic petition signature shall comply with the requirements of the Uniform Electronic Transactions Act, KRS 369.101 to 369.120;
5. Each petition signature shall be followed by the printed name, street address, birth month, and birth year of the person signing; and
6.
 - a.
 - i. Except for petitions filed in response to a tax rate levied by a ***local***~~[district]~~ board of education, The petition shall be signed by a number of registered and qualified voters residing in the affected jurisdiction equal to at least ten percent (10%) of the total number of votes cast in the last preceding presidential election.
 - ii. For petitions filed in response to a tax rate levied by a ***local***~~[district]~~ board of education, the petition shall be signed by at least five thousand (5,000) registered and qualified voters residing in the affected jurisdiction or signed by a number of registered and qualified voters residing in the affected jurisdiction equal to at least ten percent (10%) of the total number of votes cast in the last preceding presidential election, whichever is less.
 - b. Electronic petition signatures shall be included in determining whether the required number of petition signatures has been obtained when:
 - i. The expenses associated with the electronic petition signatures have been incurred in accordance with paragraph (b)6. of this subsection;
 - ii. The electronic petition signatures comply with the requirements of this subsection; and
 - iii. The petition was filed in response to a tax rate levied by a ~~[district board of education or other]~~ ***taxing district that is primarily located in a county with a population of three hundred thousand (300,000) or more inhabitants***~~[containing an urban county government or a consolidated local government]~~.

- c. The inclusion of an invalid petition signature on a page shall not invalidate the entire page of the petition, but shall instead result in the invalid petition signature being stricken and not counted.
- (e) Upon the filing of the petition with the county clerk, the ordinance, order, resolution, or motion shall be suspended from going into effect until after the election referred to in subsection (3) of this section is held, or until the petition is finally determined to be insufficient and no further action may be taken pursuant to paragraph (i) of this subsection.
- (f) The county clerk shall immediately notify the presiding officer of the **taxing district**~~{appropriate local governmental entity or district board of education}~~ that the petition has been received and shall, within thirty (30) days of the receipt of the petition, make a determination of whether the petition contains enough signatures of qualified voters to place the ordinance, order, resolution, or motion before the voters.
- (g) If the county clerk finds the petition to be sufficient, the clerk shall certify to the petition committee and the **taxing district**~~{local governmental entity or district board of education}~~ within the thirty (30) day period provided for in paragraph (f) of this subsection that the petition is properly presented and in compliance with the provisions of this section, and that the ordinance, order, resolution, or motion levying the tax will be placed before the voters for approval.
- (h) If the county clerk finds the petition to be insufficient, the clerk shall, within the thirty (30) day period provided for in paragraph (f) of this subsection, notify, in writing, the petition committee and the **taxing district levying the tax**~~{local governmental entity or district board of education}~~ of the specific deficiencies found. Notification shall be sent by certified mail and shall be published **on the home page of the clerk's website and** at least one (1) time in a newspaper of general circulation within the county containing the **taxing district**~~{local governmental entity or district board of education}~~ levying the tax. If there is not a newspaper within the county in which to publish the notification, then the notification shall be posted at the courthouse door.
- (i) A final determination of the sufficiency of a petition shall be subject to final review by the Circuit Court of the county in which the **taxing district levying the tax**~~{local governmental entity or district board of education}~~ is located, and shall be limited to the validity of the county clerk's determination. Any petition challenging the county clerk's final determination shall be filed within ten (10) days of the issuance of the clerk's final determination.
- (j) The local governmental entity **levying the tax**~~{or district board of education}~~ may cause the cancellation of the election by reconsidering and amending the ordinance, order, resolution, or motion to levy a tax rate which will produce no more revenue from real property, exclusive of revenue from new property~~{as defined in KRS 132.010}~~, than four percent (4%) over the amount of revenue produced by the compensating tax rate~~{defined in KRS 132.010}~~ from real property. The action by the local governmental entity or **local**~~{district}~~ board of education **to cancel an election** shall be valid only if taken within fifteen (15) days following the date the clerk finds the petition to be sufficient.
- (3) (a) If an election is necessary under the provisions of subsection (2) of this section:
1. The local governmental entity shall cause to be submitted to the voters of the district at the next regular election, the question as to whether the property tax rate shall be levied; or
 2. The **local**~~{district}~~ board of education shall cause to be submitted to the voters of the district in a called common school election not less than thirty-five (35) days nor more than forty-five (45) days from the date the signatures on the petition are validated by the county clerk, or at the next regular election, at the option of the **local**~~{district}~~ board of education, the question as to whether the property tax rate shall be levied. The cost of a called common school election shall be borne by the school district holding the election. Any called common school election shall comply with the provisions of KRS 118.025.
- (b) If an election under paragraph (a) of this subsection is held in conjunction with a regular election, the question as to whether the property tax rate shall be levied shall be submitted to the county clerk no later than the second Tuesday in August preceding the regular election.
- (c) In an election held under paragraph (a) of this subsection, the question shall be framed to ask whether the voter is for the levy of the property tax rate. If a majority of the votes cast upon the question oppose its passage, the ordinance, order, resolution, or motion shall not go into effect. If a majority of the votes

cast upon the question favor its passage, the ordinance, order, resolution, or motion shall become effective.

- (d) If the ordinance, order, resolution, or motion fails to pass pursuant to an election held under paragraph (a) of this subsection, the property tax rate which will produce four percent (4%) more revenues from real property, exclusive of revenue from new property~~[as defined in KRS 132.010]~~, than the amount of revenue produced by the compensating tax rate~~[defined in KRS 132.010]~~, shall be levied without further approval by the local governmental entity or *local*~~[district]~~ board of education.
 - (e) Local, state, and federal tax dollars shall not be used to advocate, in partial terms, for or against any public question that appears on the ballot in this subsection. For purposes of this section, "local" means and includes any city, county, urban-county government, consolidated local government, unified local government, charter county, or special district.
- (4) Notwithstanding any statutory provision to the contrary, if a *taxing district*~~[local governmental entity or district board of education]~~ has not established a final tax rate as of September 15, due to the recall provisions of this section, KRS 68.245, **132.023**, 132.027, or 160.470, regular tax bills shall be prepared as required in KRS 133.220 for all districts having a tax rate established by that date; and a second set of bills shall be prepared and collected in the regular manner, according to the provisions of KRS Chapter 132, upon establishment of final tax rates by the remaining districts.
 - (5) If a second billing is necessary, the collection period shall be extended to conform with the second billing date.
 - (6) All costs associated with the second billing shall be paid by the taxing district~~[or districts]~~ requiring the second billing.

➔Section 74. KRS 160.470 is amended to read as follows:

- (1) (a) Notwithstanding any statutory provisions to the contrary, *a local*~~[no district]~~ board of education shall *not* levy a general tax rate which will produce more revenue, exclusive of revenue from net assessment growth as defined in KRS 132.010, than would be produced by application of the general tax rate that could have been levied in the preceding year to the preceding year's assessment, except as provided in subsections ~~(10)~~~~(9)~~ and ~~(11)~~~~(10)~~ of this section and KRS 157.440.
- (b) If an election is held as provided for in KRS 132.017 and the question should fail, such failure shall not reduce the "...general tax rate that could have been levied in the preceding year..." referred to in subsection (1)(a) of this section, for purposes of computing the general tax rate for succeeding years.

In the event of a merger of school districts, the limitations contained in this section shall be based upon the combined revenue of the merging districts, as computed under the provisions of this section.
- (2) *A local*~~[No district]~~ board of education shall *not* levy a general tax rate within the limits imposed in subsection (1) of this section which respectively exceeds the compensating tax rate defined in KRS 132.010, except as provided in subsections ~~(10)~~~~(9)~~ and ~~(11)~~~~(10)~~ of this section *and*~~[,]~~ KRS 157.440~~[,]~~ and ~~KRS~~ 157.621, until the *local*~~[district]~~ board of education has complied with the provisions of subsection ~~(8)~~~~(7)~~ of this section.
- (3) Upon receipt of property assessments from the Department of Revenue, the commissioner of education shall certify the following to each *local*~~[district]~~ board of education:
 - (a) The general tax rate that a *local*~~[district]~~ board of education could levy under the provisions of subsection (1) of this section, and the amount of revenue expected to be produced;
 - (b) The compensating tax rate as defined in KRS 132.010 for a district's general tax rate the amount of revenue expected to be produced; *and*
 - (c) The general tax rate which will produce, respectively, no more revenue from real property, exclusive of revenue from new property, than four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010, and the amount of revenue expected to be produced.
- (4) Upon completion of action on property assessment data, the Department of Revenue shall submit certified property assessment data as required in KRS 133.125 to the chief state school officer.
- (5) Within thirty (30) days after the *local*~~[district]~~ board of education has received its assessment data, the rates levied shall be forwarded to the Kentucky Board of Education for its approval or disapproval. The failure of

the ~~local~~~~district~~ board of education to furnish the rates within the time prescribed shall not invalidate any levy made thereafter.

- (6) (a) Each ~~local~~~~district~~ board of education shall, on or before January 31 of each calendar year, formally and publicly examine detailed line item estimated revenues and proposed expenditures for the subsequent fiscal year. On or before May 30 of each calendar year, each ~~local~~~~district~~ board of education shall adopt a tentative working budget which shall include a minimum reserve of two percent (2%) of the total budget.
- (b) Each ~~local~~~~district~~ board of education shall submit to the Kentucky Board of Education no later than September 30, a close estimate or working budget which shall conform to the administrative regulations prescribed by the Kentucky Board of Education.
- (7) (a) ***A local board of education proposing to levy a general tax rate shall make the following information public:***
1. ***The general tax rate levied in the preceding year and the revenue produced by that rate;***
 2. ***The proposed tax rate for the current year and the revenue expected to be produced by that rate;***
 3. ***A clear explanation if the proposed tax rate is expected to produce more or less revenue generated for the school district than received from the general tax rate in the preceding year and the general areas to which any increase in revenue will be allocated;***
 4. ***A specific reference to this section and Section 73 of this Act, along with a statement as to whether any portion of the proposed tax rate, if adopted, would be subject to recall; and***
 5. ***A statement to the effect that the General Assembly has required publication of the information contained herein.***
- (b) ***To make the information in paragraph (a) of this subsection public, the local board of education:***
1. ***Shall publish the information for at least two (2) consecutive weeks on the home page of its website and in the newspaper of largest circulation in the county in a display type advertisement of not less than twelve (12) column inches;***
 2. ***Shall read the information into the record of the school board meeting in which the general tax rate is adopted;***
 3. ***Shall post the information on its social media platforms; and***
 4. ***May issue a notice containing the information to the editor of all print media.***
- (8) (a) Except as provided in subsections ~~(10)~~~~(9)~~ and ~~(11)~~~~(10)~~ of this section and KRS 157.440, a ~~local~~~~district~~ board of education proposing to levy a general tax rate within the limits of subsection (1) of this section which ~~exceeds~~~~exceed~~ the compensating tax rate defined in KRS 132.010 shall hold a public hearing to hear comments from the public regarding the proposed tax rate. The hearing shall be held in the principal office of the taxing district or, in the event the taxing district ~~does not have a~~~~has no office, or the office is not~~ suitable ***office to hold the***~~for such a~~ hearing, the hearing shall be held in a suitable facility as near as possible to the geographic center of the district.
- (b) The ~~local~~~~district~~ board of education shall ***include the following information in the publication required in subsection (7) of this section and advertisement of***~~advertise~~ the hearing~~by causing the following to be published at least twice for two (2) consecutive weeks, in the newspaper of largest circulation in the county, a display type advertisement of not less than twelve (12) column inches~~:
1. ~~{The general tax rate levied in the preceding year, and the revenue produced by that rate;~~
 2. ~~—The general tax rate for the current year, and the revenue expected to be produced by that rate;~~
 3. ~~—}The compensating general tax rate, and the revenue expected from it;~~
 - 2.~~{4.}~~ The revenue expected from new property and personal property;~~{~~
 5. ~~—The general areas to which revenue in excess of the revenue produced in the preceding year is to be allocated;}~~

- 3.~~6.~~ A time and place for the public hearing which shall be held not less than seven (7) days nor more than ten (10) days after the day that the second advertisement is published; *and*
- 4.~~7.~~ The purpose of the hearing~~;~~ *and*
8. ~~A statement to the effect that the General Assembly has required publication of the advertisement and the information contained herein.~~
- (c) In lieu of the two (2) published notices *in the newspaper*, a single notice containing the required information *required by subsection (7) of this section and paragraph (b) of this subsection* may be sent by first-class mail to each person owning real property, addressed to the property owner at his residence or principal place of business as shown on the current year property tax roll.
- (d) The hearing shall be open to the public. All persons desiring to be heard shall be given an opportunity to present oral testimony. The *local*~~district~~ board of education may set reasonable time limits for testimony.
- ~~(9)~~~~(8)~~ (a) That portion of a general tax rate, except as provided in subsections ~~(10)~~~~(9)~~ and ~~(11)~~~~(10)~~ of this section, KRS 157.440, and KRS 157.621, levied by an action of a *local*~~district~~ board of education which will produce, respectively, revenue from real property, exclusive of revenue from new property, more than four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010, shall be subject to a recall vote or reconsideration by the *local*~~district~~ board of education as provided for in KRS 132.017, and shall be advertised as provided for in *subsection (7) of this section and* paragraph (b) of this subsection.
- (b) The *local*~~district~~ board of education shall, within seven (7) days following adoption of an ordinance, order, resolution, or motion to levy a general tax rate, except as provided in subsections ~~(10)~~~~(9)~~ and ~~(11)~~~~(10)~~ of this section and KRS 157.440, which will produce revenue from real property, exclusive of revenue from new property as defined in KRS 132.010, more than four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010, cause the following to be published, *on the home page of its website and* in the newspaper of largest circulation in the county, a display type advertisement of not less than twelve (12) column inches:
1. The fact that the *local*~~district~~ board of education has adopted such a rate;
 2. The fact that the part of the rate which will produce revenue from real property, exclusive of new property as defined in KRS 132.010, in excess of four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010 is subject to recall; and
 3. The name, address, and telephone number of the county clerk of the county or urban-county in which the school district is located, with a notation to the effect that that official can provide the necessary information about the petition required to initiate recall of the tax rate.
- ~~(10)~~~~(9)~~ (a) Notwithstanding any statutory provisions to the contrary, effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$0.30) for general school purposes. Equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the *local*~~district~~ for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Department of Revenue. School districts collecting school taxes authorized by KRS 160.593 to 160.597, 160.601 to ~~160.617~~~~160.633~~, or 160.635 to 160.648 for less than twelve (12) months during a school year shall have included in income collected under this section the pro rata tax collection for twelve (12) months.
- (b) Failure of a board to comply with paragraph (a) of this subsection may constitute a forfeiture of office by its members pursuant to KRS 415.050 and 415.060.
- ~~(11)~~~~(10)~~ A *local*~~district~~ board of education may levy a general tax rate that will produce revenue from real property, exclusive of revenue from new property, that is four percent (4%) over the amount of the revenue produced by the compensating tax rate as defined in KRS 132.010.

➔Section 75. KRS 157.440 is amended to read as follows:

- (1) (a) Notwithstanding any statutory provisions to the contrary, effective for school years beginning after July 1, 1990, the board of education of each school district may levy an equivalent tax rate as defined in subsection ~~(10)~~~~(9)~~(a) of KRS 160.470 which will produce up to fifteen percent (15%) of those

revenues guaranteed by the program to support education excellence in Kentucky. The levy for the 1990-91 school year shall be made no later than October 1, 1989, and no later than October 1, 1990, for the 1991-92 school year, and by October 1 of each odd-numbered year thereafter. Effective with the 1990-91 school year, revenue generated by this levy shall be equalized at one hundred fifty percent (150%) of the statewide average per pupil assessment.

- (b) To participate in the Facilities Support Program of Kentucky, the board of education of each school district shall commit at least an equivalent tax rate of five cents (\$0.05) to debt service, new facilities, or major renovations of existing school facilities, or the purchase of land if approved by the commissioner of education as provided in KRS 157.420(4)(b). The five cents (\$0.05) shall be in addition to the thirty cents (\$0.30) required by KRS 160.470(10)~~((9))~~ and any levy pursuant to paragraph (a) of this subsection. The levy shall be made no later than October 1 of each odd-numbered year. Eligibility for equalization funds for the biennium shall be based on the district funds committed to debt service on that date. The five cents (\$0.05) shall be equalized at one hundred fifty percent (150%) of the statewide average per pupil assessment. The equalization funds shall be committed to debt service to the greatest extent possible, but any excess equalization funds not needed for debt service shall be deposited to a restricted building fund account. The funds may be escrowed for future debt service or used to address categorical priorities listed in the approved facilities plan pursuant to KRS 157.420.
 - (c) The board of education of each school district may contribute the levy equivalent tax rate of five cents (\$0.05) and equalization funds for energy conservation measures under guaranteed energy savings contracts pursuant to KRS 45A.345, 45A.352, and 45A.353. Use of these funds, as provided under KRS 45A.353, 56.774, and 58.600 shall be based on the following guidelines:
 1. Energy conservation measures shall include facility alteration;
 2. Energy conservation measures shall be identified in the district's approved facility plan pursuant to KRS 157.420;
 3. The current facility systems are consuming excess maintenance and operating costs;
 4. The savings generated by the energy conservation measures are guaranteed;
 5. The levy equivalent tax rate of five cents (\$0.05) and equalization funds contributed to the energy conservation measures shall be defined as capital cost avoidance as provided in KRS 45A.345(2) and shall be subject to the restrictions on usage as specified in KRS 45A.352(9); and
 6. The equipment that is replaced has exceeded its useful life as determined by a life cycle cost analysis.
 - (d) The rate levied by a ~~local district~~ board of education under the provisions of this subsection shall not be subject to the public hearing provisions of KRS 160.470(8)~~((7))~~ or to the recall provisions of KRS 160.470(9)~~((8))~~.
 - (e) A school district which is at or above the equivalent tax rates permitted under the provisions of the Kentucky Education Reform Act of 1990, 1990 Ky. Acts ch. 476, shall not be required to levy an equivalent tax rate which is lower than the rate levied during the 1989-90 school year.
- (2) (a) A district may exceed the maximum provided by subsection (1) of KRS 160.470 provided that, upon request of the board of education of the *school* district, the county board of elections shall submit to the qualified voters of the district, in the manner of submitting and voting as prescribed in paragraph (b) of this subsection, the question whether a rate which would produce revenues in excess of the maximum provided by subsection (1) of KRS 160.470 shall be levied. The rate that may be levied under this section may produce revenue up to no more than thirty percent (30%) of the revenue guaranteed by the program to support education excellence in Kentucky plus the revenue produced by the tax authorized by this section. Revenue produced by this levy shall not be equalized with state funds. If a majority of those voting on the question favor the increased rate, the tax levying authority shall, when the next tax rate for the district is fixed, levy a rate not to exceed the rate authorized by the voters.
- (b) The election shall be held not less than fifteen (15) or more than thirty (30) days from the time the request of the board is filed with the county clerk, and reasonable notice of the election shall be given. The election shall be conducted and carried out in the school district in all respects as required by the general election laws and shall be held by the same officers as required by the general election laws. The expense of the election shall be borne by the school district.

- (3) For the 1966 tax year and for all subsequent years for levies which were approved prior to December 8, 1965, no ~~local district~~ board of education shall levy a tax at a rate under the provisions of this section which exceeds the compensating tax rate as defined in KRS 132.010, except as provided in subsection (4) of this section and except that a rate which has been approved by the voters under this section but which was not levied by the ~~local district~~ board of education in 1965 may be levied after it has been reduced to the compensating tax rate as defined in KRS 132.010, and except that in any school district where the rate levied in 1965 was less than the maximum rate which had been approved by the voters, the compensating tax rate shall be computed and may be levied as though the maximum approved rate had been levied in 1965 and the amount of revenue which would have been produced from such maximum levy had been derived therefrom.
- (4) Notwithstanding the limitations contained in subsection (3) of this section, no tax rate shall be set lower than that necessary to provide such funds as are required to meet principal and interest payments on outstanding bonded indebtedness and payments of rentals in connection with any outstanding school revenue bonds issued under the provisions of KRS Chapter 162.
- (5) The chief state school officer shall certify the compensating tax rate to the levying authorities.

➔Section 76. KRS 160.473 is amended to read as follows:

- (1) (a) *For assessment years beginning before January 1, 2029*, in the event that a general tax rate applicable to real property levied by a ~~local district~~ board of education will produce a percentage increase in revenue from personal property less than the percentage increase in revenue from real property, the ~~local district~~ board of education may levy a general tax rate applicable to personal property which will produce the same percentage increase in revenue from personal property as the percentage increase in revenue from real property; however, in no event shall the general tax rate levied by the ~~local district~~ board of education applicable to personal property exceed the prior year general tax rate applicable to personal property levied by the respective ~~local district~~ board of education.
- (b) *For assessment years beginning on or after January 1, 2029, in the event that a general tax rate applicable to real property levied by a local board of education will produce a percentage increase in revenue from personal property less than the percentage increase in revenue from real property, the local board of education may levy a general tax rate applicable to personal property which will produce the same percentage increase in revenue from personal property as the percentage increase in revenue from real property; however, in no event shall the general tax rate levied by the local board of education applicable to personal property exceed:*
1. *The prior year general tax rate applicable to personal property levied by the respective local board of education; or*
 2. *The general tax rate applicable to personal property levied by the respective local board of education for the January 1, 2028, assessment year.*
- (2) The general tax rate applicable to personal property levied by a ~~local district~~ board of education under the provisions of subsection (1) of this section shall not be subject to the public hearing provisions of KRS 160.470~~(8)~~~~(7)~~ and to the recall provisions of KRS 160.470~~(9)~~~~(8)~~.

➔Section 77. KRS 160.607 is amended to read as follows:

- (1) The school tax authorized by KRS 160.482 to 160.488 and 160.605 shall be at a single uniform rate not to exceed one-half of one percent (0.5%) and shall continue from year to year until changed as prescribed in KRS 160.635 and 160.484.
- (2) Any county having ~~five~~~~three~~ hundred thousand (~~500,000~~)~~(300,000)~~ or more inhabitants is authorized to increase the school tax rate to exceed the maximum set in subsection (1) of this section by one-quarter of one percent (0.25%) *before the effective date of this section of this Act.*
- (3) *Beginning on or after January 1, 2027:*
- (a) *A school tax is not authorized to be imposed under KRS 160.482 to 160.488 and 160.605 in a school district that does not already have one imposed; and*
 - (b) *The rate of a school tax imposed under KRS 160.482 to 160.488 and 160.605 shall never increase.*

➔Section 78. KRS 160.483 is amended to read as follows:

- (1) (a) The license fees imposed under KRS 160.482 to 160.488 on businesses, trades, occupations, and professions shall be at a single, uniform percentage rate not to exceed one-half of one percent (0.5%) of:
1. ~~[(a)]~~ Salaries, wages, and commissions, and other compensations earned by persons within the county for work done and services performed or rendered in the county; and
 2. ~~[(b)]~~ The net profits of all businesses, trades, occupations, and professions, for activities conducted in the county.
- (b) ***Beginning on or after January 1, 2027:***
1. ***A school tax is not authorized to be imposed under KRS 160.482 to 160.488 and 160.605 in a school district that does not already have one imposed; and***
 2. ***The rate of a school tax imposed under KRS 160.482 to 160.488 and 160.605 shall never increase.***
- (2) The license fees, once imposed, shall continue from year to year until changed as prescribed in KRS 160.484.
- (3) ~~[No public service company which pays an ad valorem tax is required to pay a license fee.]~~
- ~~(4)~~ (a) It is the intent of the General Assembly to continue the exemption from local license fees and occupational taxes that existed on January 1, 2006, for providers of multichannel video programming services or communications services as defined in KRS 136.602 that were taxed under KRS 136.120 prior to January 1, 2006.
- (b) To further this intent, no company providing multichannel video programming services or communications services as defined in KRS 136.602 shall be required to pay a license fee. If only a portion of an entity's business is providing multichannel video programming services or communications services, including products or services that are related to and provided in support of the multichannel video programming services or communications services, this exclusion applies only to that portion of the business that provides multichannel video programming services or communications services, including products or services that are related to and provided in support of the multichannel video programming services or communications services.
- ~~(4)~~ ~~(5)~~ No license fee shall be imposed upon or collected from:
- (a) Any bank, trust company, combined bank and trust company, combined trust, banking and title business in this state;
 - (b) Any savings and loan association whether state or federally chartered;
 - (c) Any income received by members of the Kentucky National Guard for active duty training, unit training assemblies, and annual field training; ~~[-or]~~
 - (d) Any income received by precinct workers for election training or work at election booths in state, county, and local primary, regular, or special elections;
 - (e) ***A public service company which pays an ad valorem tax; or***
 - (f) ***Any individual who is not a resident of the county of the tax-levying authority imposing the tax.***
- ~~(6)~~ ~~No license tax shall be collected from any individual who is not a resident of the county of the tax-levying authority imposing the tax.]~~
- ~~(5)~~ ~~(7)~~ Pursuant to this section, no tax-levying authority shall regulate any aspect of the manner in which any duly ordained, commissioned, or denominationally licensed minister of religion may perform his or her duties and activities as a minister of religion. Duly ordained, commissioned, or denominationally licensed ministers of religion shall be subject to the same license fees imposed on others by the tax-levying authority on salaries, wages, commissions, and other compensation earned for work done and services performed or rendered.
- ➔Section 79. KRS 160.484 is amended to read as follows:
- (1) Except as provided in subsections (2), (3), and (4) ***of this section*** the fiscal court has discretion to impose or not impose the license fees authorized by KRS 160.482 to 160.488 at a percentage rate, not to exceed one-half of one percent (0.5%), determined by the fiscal court. A fiscal court shall not proceed under this subsection without first giving all boards of education in the county thirty (30) days notice of its intention.

- (2) If one (1) or more boards of education of school districts within the county which contain at least ninety percent (90%) of county's inhabitants, in the same calendar year certify to the fiscal court requests for a license fee at an identical percentage rate, not to exceed one-half of one percent (0.5%), then the fiscal court shall impose such license fees at the requested rate.
- (3) Any license fees imposed under ~~subsection~~~~[subsections]~~ (1) or (2) *of this section* shall remain in full effect from year to year until all boards of education within the county have certified to the fiscal court requests for a reduction in the percentage rate theretofore imposed. Thereafter, the fiscal court shall reduce the rate to the highest rate certified as yet necessary by any *local* board of education in the county. The fiscal court may require each *local* board of education to make no more than one (1) certificate annually.
- (4) *Beginning on or after January 1, 2027:*
 - (a) *A school tax is not authorized to be imposed under KRS 160.482 to 160.488 and 160.605 in a school district that does not already have one imposed; and*
 - (b) *The rate of a school tax imposed under KRS 160.482 to 160.488 and 160.605 shall never increase. In any calendar year in which one (1) or more boards of education of school districts containing at least ninety percent (90%) of the county's inhabitants make a certification pursuant to subsection (2) for a rate which is at a higher percentage than any currently imposed, the fiscal court shall impose the license fee at the higher rate and any rate imposed pursuant to subsections (1), (2), or (3) shall be rescinded upon the date the new rate takes effect.*

➔Section 80. KRS 160.505 is amended to read as follows:

KRS 160.500 to the contrary notwithstanding, if a tax authorized by KRS 160.593 to 160.597, 160.601 to ~~160.617~~~~[160.633]~~, and 160.635 to 160.648 shall be collected by a *local* board of education, the *local* board of education shall appoint a person who shall be responsible for collection and administration of such tax. If one (1) or more boards of education agree in writing to levy identical taxes authorized by the statutes mentioned hereinabove, the boards of education so agreeing shall jointly appoint a person who shall be responsible for collection and administration of such tax as provided for in KRS 160.593(2). The position may be full-time or part-time and his compensation shall be fixed by the board and/or boards of education. The bond of this person shall be made to cover his duties as tax collector.

➔Section 81. KRS 160.593 is amended to read as follows:

- (1) Any board of education of a school district may, after compliance with the public hearing requirement contained in KRS 160.603, levy school taxes authorized by KRS 160.593 to 160.597, 160.601 to ~~160.617~~~~[160.633]~~, and 160.635 to 160.648. The imposition of any tax levied under the provisions of 160.593 to 160.597, 160.601 to ~~160.617~~~~[160.633]~~, and 160.635 to 160.648 shall be limited to the territory of the school district except as provided in subsection (2) of this section.
- (2) Two (2) or more boards of education may agree in writing to levy identical school taxes authorized by KRS 160.605 to 160.611 ~~and~~~~[,]~~ 160.613 to 160.617~~, and 160.621 to 160.633~~. After the levying in each district so agreeing of a tax under the terms of such agreement, the receipts from said tax shall be held in a common fund and disbursed therefrom to each district on the basis of average daily attendance, as set forth in KRS 160.644. Any districts levying taxes under the terms of such an agreement shall be deemed to constitute a combined taxing district for the purposes of reference in KRS Chapter 160.

➔Section 82. KRS 160.597 is amended to read as follows:

Any school tax authorized by KRS 160.593 to 160.597, 160.601 to ~~160.617~~~~[160.633]~~, and 160.635 to 160.648 may be recalled as follows:

- (1) (a) The order or resolution levying any of the school taxes designated in this section shall go into effect not less than forty-five (45) days nor more than ninety (90) days after its passage.
- (b) During the forty-five (45) days immediately following the passage of the order or resolution, any five (5) qualified voters who reside in the school district levying the tax may commence petition proceedings to protest the passage of the order or resolution by filing with the county clerk an affidavit stating that they constitute the petition committee and that they will be responsible for circulating the petition and filing it in the proper form within forty-five (45) days from the passage of the order or resolution. The affidavit shall state their names and addresses and specify the address to which all notices to the committee are to be sent. Upon receipt of the affidavit, the county clerk shall:

1. At the time of filing of the affidavit, notify the petition committee of all statutory requirements for the filing of a valid petition under this section;
 2. At the time of the filing of the affidavit, notify the petition committee that the clerk will publish a notice identifying the tax levy being challenged and providing the names and addresses of the petition committee in a newspaper of general circulation within the county, if such publication exists, if the petition committee remits an amount equal to the cost of publishing the notice determined in accordance with the provisions of KRS 424.160 at the time of the filing of the affidavit. If the petition committee elects to have the notice published, the clerk shall publish the notice within five (5) days of receipt of the affidavit; and
 3. Deliver a copy of the affidavit to the **local board of education**~~[school board]~~ or combined taxing district.
- (c) The petition shall be filed with the county clerk within forty-five (45) days of the passage of the order or resolution. All papers of the petition shall be uniform in size and style and shall be assembled in one (1) instrument for filing. Each sheet of the petition shall contain the names of voters from one (1) voting precinct only, and shall include the name, number and designation of the precinct in which the voters signing the petition live. The inclusion of an invalid signature on a page shall not invalidate the entire page of the petition, but shall instead result in the invalid signature being stricken and not counted. Each signature shall be executed in ink or indelible pencil and shall be followed by the printed name, street address, and Social Security number or birthdate of the person signing. The petition shall be signed by a number of registered and qualified voters residing in the affected jurisdiction equal to at least ten percent (10%) of the total number of votes cast in the last preceding presidential election, except in consolidated local governments, where the petition shall be signed by a number of registered and qualified voters equal to at least five percent (5%) of the total number of votes cast in the last preceding presidential election.
- (d) Upon the filing of the petition with the county clerk, the order or resolution shall be suspended from going into effect for that district until after the election provided for in subsection (2) of this section is held, or until the petition is finally determined to be insufficient and no further action may be taken pursuant to paragraph (h) of this subsection.
- (e) The county clerk shall immediately notify the **local board of education**~~[school board]~~ or combined taxing district that the petition has been received and shall, within thirty (30) days of receipt of the petition, make a determination of whether the petition contains enough signatures of qualified voters to place the order or resolution before the voters.
- (f) If the county clerk finds the petition to be sufficient, the clerk shall certify to the **local board of education**~~[school board]~~ or combined taxing district and the petition committee within the thirty (30) day period provided for in paragraph (e) of this subsection, that the petition is properly presented and in compliance with the provisions of this section, and that the order or resolution levying the tax will be placed before the voters for approval.
- (g) If the county clerk finds the petition to be insufficient, the clerk shall, within the thirty (30) day period provided for in paragraph (e) of this subsection, notify, in writing, the petition committee and the school district or combined taxing district levying the tax of the specific deficiencies found. Notification shall be sent by certified mail, and shall be published at least one (1) time in a newspaper of general circulation within the county containing the school district levying the tax or, if there is no such newspaper, shall be posted at the courthouse door.
- (h) A final determination of the sufficiency of a petition shall be subject to final review by the Circuit Court of the county in which the school district is located, and shall be limited to the validity of the county clerk's determination. Any petition challenging the county clerk's final determination shall be filed within ten (10) days of the issuance of the clerk's final determination.
- (2) If the petition is sufficient, the county clerk shall, at the option of the **local**~~[district]~~ board of education, either submit the question to the voters of the school district at the next regular election or submit the question to the voters of the school district at a called common school election, which is to be held not less than thirty-five (35) days nor more than forty-five (45) days from the date the signatures on the petition are validated by the county clerk. Any called common school election shall comply with the provisions of KRS 118.025. If the election is to be held in conjunction with a regular election, the question shall be submitted to the county clerk not later than the second Tuesday in August preceding the regular election. The question shall be so framed

that the voter may by his vote answer, "for" or "against." If a majority of the votes cast in a district or combined taxing district upon the question oppose its passage, the order or resolution shall not go into effect in that district or combined taxing district. If a majority of the votes cast in a district or combined taxing district upon the question favor its passage, the order or resolution shall go into effect in that district. If the election is to be held in more than one (1) school district within a county, the votes shall be counted separately. The cost of a called common school election shall be borne by the school district causing the election to be held.

- (3) If any statute in existence on June 17, 1978, is found to be in conflict with any provision of this section, the provisions of this section shall prevail.

➔Section 83. KRS 160.601 is amended to read as follows:

The school taxes authorized by KRS 160.605 to 160.611 ~~and~~ 160.613 to 160.617, ~~and 160.621 to 160.633~~ shall be known as an occupational license tax for schools ~~and~~ a utility gross receipts tax for schools, ~~and an excise tax for schools~~ as set out in the following sections.

➔Section 84. KRS 160.603 is amended to read as follows:

No ~~local~~ school district board of education shall levy any of the school taxes authorized by KRS 160.593 to 160.597, 160.601 to ~~160.617~~ 160.633, and 160.635 to 160.648, except the levy required by KRS 160.614(3) and (6), until after compliance with the following:

- (1) The ~~local~~ school district board of education desiring to levy any one (1) of these taxes shall give notice of any proposed levy of one (1) of the school taxes. Notwithstanding any statutory provisions to the contrary, notice shall be given by causing to be published, at least one (1) time in a newspaper of general circulation published in the county or by posting at the courthouse door if there be no such newspaper, the fact that such levy is being proposed. The advertisement shall state that the ~~local~~ district board of education will meet at a place and on a day fixed in the advertisement, not earlier than one (1) week and not later than two (2) weeks from the date of the advertisement, for the purpose of hearing comments and complaints regarding the proposed increase and explaining the reasons for such proposal.
- (2) The ~~local~~ school district board of education shall conduct a public hearing at the place and on the date advertised for the purpose of hearing comments and complaints regarding the proposed levy and explaining the reasons for such proposal.
- (3) In the event that a combined taxing district desires to levy any one (1) of these taxes, the boards of education shall make a joint advertisement and hold a joint hearing in the manner prescribed heretofore for an individual school district.

➔Section 85. KRS 160.635 is amended to read as follows:

School taxes imposed under ~~the provisions of~~ KRS 160.593 to 160.597, 160.601 to ~~160.617~~ 160.633, and 160.635 to 160.648 shall remain in full force and effect from year to year until the *local* board of education reduces the rate in effect; however, at the time the tax is first levied the board may set a date on which the tax shall expire.

➔Section 86. KRS 160.637 is amended to read as follows:

~~{(1) "Requesting school districts" shall mean those school districts for which the Department of Revenue is requested to act as tax collector under the authority of KRS 160.627(2).}~~

~~{(2) Reasonable expenses not to exceed the actual costs of collection incurred by any tax collector, except the Department of Revenue, for the administration or collection of the school taxes authorized by KRS 160.605 to 160.611 ~~and~~ 160.613 to 160.617, ~~and 160.621 to 160.633~~ shall be reimbursed by the school *local* district boards of education on a monthly basis or on the basis agreed upon by the boards of education and the tax collector. The expenses shall be borne by the school districts on a basis proportionate to the revenue received by the districts.}~~

~~{(3) The following shall apply only when the Department of Revenue is acting as tax collector under the authority of KRS 160.627(2):}~~

- ~~(a) When the department is initially requested to be the tax collector under KRS 160.627(2), the department shall estimate the costs of implementing the administration of the tax so requested, and shall inform the requesting school district of this estimated cost. The requesting school district shall pay to the department ten percent (10%) of this estimated cost referred to as "start up costs" within thirty (30) days of notification by the department. Subsequent requesting school districts shall pay their pro rata share, or ten percent (10%), whichever is less, of the unpaid balance of the initial "start up costs" until the~~

- ~~department has fully recovered the costs. The payment shall be made within thirty (30) days of notification by the department.~~
- (b) ~~The Department of Revenue shall also be reimbursed by each school district for its proportionate share of the actual operational expenses incurred by the department in collecting the excise tax. The expenses, which shall be deducted by the Department of Revenue from payments to school districts made under the provisions of KRS 160.627(2), shall be allocated by the department to school districts on a basis proportionate to the number of returns processed by the Department of Revenue for each district compared to the total processed by the Department of Revenue for all districts.~~
- (c) ~~All funds received by the department under the authority of paragraphs (a) and (b) of this subsection shall be deposited into an account entitled the "school tax fund account," an account created within the restricted fund group set forth in KRS 45.305. The use of these funds shall be restricted to paying the department for the costs described in paragraphs (a) and (b) of this subsection. This account shall not lapse.~~
- (d) ~~The department may retain a portion of the school tax revenues collected in a special account entitled the "school tax refund account" which is an account created within the restricted fund group set forth in KRS 45.305. The sole purpose of this account shall be to authorize the Department of Revenue to refund school taxes. This account shall not lapse. Refunds shall be made in accordance with the provisions in KRS 134.580(6), and when the taxpayer has made an overpayment or a payment where no tax was due as defined in KRS 134.580(7), within four (4) years of payment.~~
- (e) ~~KRS 160.621 notwithstanding, when the department is acting as tax collector under the authority of KRS 160.627(2), the requesting school district may enact the tax enumerated in KRS 160.621 only at the following rates: five percent (5%), ten percent (10%), fifteen percent (15%), and twenty percent (20%) on a school district resident's state individual income tax liability as computed under KRS Chapter 141.~~
- (f) ~~Beginning August 1, 1982, any school district which requests the department to collect taxes under the authority of KRS 160.627(2) shall inform the department of this request not less than one hundred fifty (150) days prior to January 1.~~
- (g) ~~The department shall not be required to collect taxes authorized in KRS 160.621 of an individual when the department is not pursuing collection of that individual's state income taxes. The department shall not be required to collect or defend the tax set forth in KRS 160.621 in any board or court of this state.~~
- (h) ~~Any overpayments of the tax set forth in KRS 141.020 or payments made when no tax was due may be applied to any tax liability arising under KRS 160.621 before a refund is authorized to the taxpayer. No individual's tax payment shall be credited to the tax set forth in KRS 160.621 until all outstanding state income tax liabilities of that individual have been paid.~~
- (i) ~~KRS 160.510 notwithstanding, the State Auditor shall be the only party authorized to audit the Department of Revenue with respect to the performance of its duties under KRS 160.621.]~~

➔Section 87. KRS 160.640 is amended to read as follows:

Any person having custody of the proceeds of any school tax authorized by KRS 160.605 to 160.611 ~~and~~ 160.613 to 160.617, ~~and 160.621 to 160.633,~~ except the Department of Revenue, shall be required to secure a corporate surety bond in an amount to be set by the Kentucky Board of Education. The cost of the surety bond shall be considered a part of the cost of the administration of the school taxes authorized under KRS 160.605 to 160.611 ~~and~~ 160.613 to 160.617, ~~and 160.621 to 160.633.~~

➔Section 88. KRS 160.642 is amended to read as follows:

Any person having custody of the proceeds of any school tax authorized by KRS 160.605 to 160.611 ~~and~~ 160.613 to 160.617, ~~160.621 to 160.633~~ shall be audited as provided by KRS 156.265 to 156.285.

➔Section 89. KRS 160.644 is amended to read as follows:

The school taxes and penalties collected under KRS 160.593 to 160.597, 160.601 to ~~160.617~~ 160.633, 160.635 to 160.648 shall be distributed to the treasurer of the board of education of the school district. In the event that more than one (1) *local* board of education within the county is participating in one (1) of these tax levies, the funds collected shall be distributed in proportion to the tax rate levied and the number of pupils in average daily attendance in the participating districts as shown by the final certification by the chief state school officer for the previous school year pursuant to the provisions of KRS 157.310 to 157.440.

➔Section 90. KRS 160.648 is amended to read as follows:

- (1) Any person, individual, or corporation required by the provisions of KRS 160.605 to 160.611 ~~and 160.621 to 160.633~~ to file any return or report or furnish any information requested under the authority of KRS 160.605 to 160.611 ~~and 160.621 to 160.633~~ who fails to file such return or report or furnish such information on or before the date required shall pay a penalty in the amount of ten dollars (\$10) for each failure.
- (2) Any person, individual, or corporation who fails to pay, on or before the due date, any school tax authorized by KRS 160.605 to 160.611 ~~and 160.621 to 160.633~~ and levied by the *local* ~~district~~ board of education shall pay a penalty of one percent (1%) per month of the amount of such tax past due until paid.

➔Section 91. KRS 157.621 is amended to read as follows:

- (1) In addition to the levy required by KRS 157.440(1)(b) to participate in the Facilities Support Program of Kentucky, local school districts that have made the levy required by KRS 157.440(1)(b) are authorized to levy the following additional equivalent rates to support debt service, new facilities, or major renovations of existing school facilities, which levies shall not be subject to recall under any provision of the Kentucky Revised Statutes, or to voter approval under the provisions of KRS 157.440(2):
 - (a)
 1. Prior to April 24, 2008, local school districts that have experienced student population growth during a five (5) year period may levy an additional five cents (\$0.05) equivalent rate for debt service and new facilities. The tax rate levied by the district under this provision shall not be equalized by state funding, except as provided in paragraph (b) of this subsection. Any levy imposed under this paragraph prior to April 24, 2008, by a local school district shall continue until removed by the local school district.
 2. A local school district shall meet the following criteria in order to levy the tax provided in subparagraph 1. of this paragraph:
 - a. Growth of at least one hundred fifty (150) students in average daily attendance and three percent (3%) overall growth for the five (5) preceding years;
 - b. Bonded debt to the maximum capability of at least eighty percent (80%) of capital outlay from the Support Education Excellence in Kentucky funding program, all revenue from the local facility tax, and all receipts from state equalization on the local facility tax;
 - c. Current student enrollment in excess of available classroom space; and
 - d. A local school facility plan that has been approved by the Kentucky Board of Education and certified to the School Facilities Construction Commission;
 - (b)
 1. In addition to the levy authorized by paragraph (a) of this subsection, a local school district may levy an additional five cents (\$0.05) equivalent rate under the same terms and conditions established by paragraph (a) of this subsection beginning in fiscal year 2003-2004 if the levy was made prior to April 24, 2008, and if the local school district:
 - a. Levied the five cents (\$0.05) equivalent rate authorized by paragraph (a) of this subsection; and
 - b. Still meets the requirements established by paragraph (a)2. of this subsection.
 2. Any school district that imposes both the levy authorized by paragraph (a) of this subsection and the additional levy authorized by subparagraph 1. of this paragraph shall receive equalization funding from the state for the levy imposed by paragraph (a) of this subsection beginning in fiscal year 2003-2004. Equalization shall be provided at one hundred fifty percent (150%) of the statewide average per pupil assessment, subject to **subsection (6) of this section** ~~the provision of funding by the General Assembly~~. Equalization funds shall be used as provided in KRS 157.440(1)(b).
 3. Any levy imposed under this paragraph prior to April 24, 2008, by a local school district shall continue until removed by the local school district; and
 - (c)
 1. A local school district that meets the following conditions may levy an additional five cents (\$0.05) equivalent rate on and after April 24, 2008:

- a. The local school district is located in a county that will have more students as a direct result of the new mission established for Fort Knox by the Base Realignment and Closure (BRAC) 2005 issued by the United States Department of Defense pursuant to the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 100-526, Part A of Title XXIX of 104 Stat. 1808, 10 U.S.C. sec. 2687 note; and
 - b. The commissioner of education has determined, based upon the presentation of credible data, that the projected increased number of students is sufficient to require new facilities or the major renovation of existing facilities to accommodate the new students, and has approved the imposition of the additional levy.
2. Any local school district that imposes both the levy authorized by paragraph (a) of this subsection and the additional levy authorized by subparagraph 1. of this paragraph, and that has not received equalization funding under subsection (2) or (3) of this section, shall receive equalization funding from the state for the levy imposed by paragraph (a) of this subsection beginning in the fiscal year following the fiscal year in which the levy authorized by subparagraph 1. of this paragraph is imposed. Equalization shall be provided at one hundred fifty percent (150%) of the statewide average per pupil assessment, subject to **subsection (6) of this section**~~the provision of funding by the General Assembly~~. Equalization funds shall be used as provided in KRS 157.440(1)(b).
 3. Any levy imposed under this paragraph by a local school district shall continue until removed by the local school district.
- (2) (a) Any local school district that, prior to April 27, 2016, levied an equivalent rate that:
 1. Was subject to recall at the time it was levied; and
 2. Included a rate of at least five cents (\$0.05) equivalent rate for the purpose of debt service for school construction or major renovation of existing school facilities;

shall be eligible for retroactive equalization from the state for that levy at one hundred fifty percent (150%) of the statewide average per pupil assessment beginning in fiscal year 2003-2004, subject to **subsection (6) of this section**~~the fiscal condition of the Commonwealth and the provision of funding by the General Assembly~~. Equalization funds shall be used as provided in KRS 157.440(1)(b).
 - (b) It is the intent of the General Assembly that for levies described in this subsection that are imposed on or after April 27, 2016, equalization funds, if provided by the General Assembly, shall terminate upon the earlier of June 30, 2038, or the date the bonds for the local school district supported by this equalization funding are retired. Equalization shall be subject to **subsection (6)(b) and (c) of this section**, the fiscal condition of the Commonwealth, and ~~the provision of~~ funding by the General Assembly.
- (3) Any local school district that:
 - (a) Levied an equivalent tax rate as of April 24, 2008, that included at least ten cents (\$0.10) that was devoted to building purposes, or that had debt service corresponding to a ten cents (\$0.10) equivalent rate;
 - (b) Did not receive equalized growth funding pursuant to subsection (1)(b)2. of this section; and
 - (c) Has been approved by the commissioner of education;

shall be eligible for equalization from the state for that levy at one hundred fifty percent (150%) of the statewide average per pupil assessment beginning in fiscal year 2005-2006, subject to **subsection (6)(b) and (c) of this section and** the provision of funding by the General Assembly. Equalization funds shall be used as provided in KRS 157.440(1)(b). Equalization funds shall be available to a local school district pursuant to this subsection until the earlier of June 30, 2038, or the date the bonds for the local school district supported by this equalization funding are retired.
 - (4) (a) Notwithstanding any other provision of this section, any local school district receiving equalization funding prior to April 27, 2016, related to an equivalent rate levy described in subsection (1), (2), (3), or (5) of this section shall continue to receive the equalization funding related to the applicable equivalent rate levy, subject to **subsection (6) of this section**, the limitations established by subsections (1), (2), (3), and (5) of this section, ~~and subject to~~ the fiscal condition of the Commonwealth, and the provision of funding by the General Assembly, until amended by subsequent action of the General Assembly. A

local school district described in this paragraph shall not be eligible to receive equalization for any additional equivalent rate levies made by it on or after April 27, 2016.

- (b) Notwithstanding any other provision of this section, any local school district that has imposed an equivalent rate levy described in subsection (1)(a) or (b) or (2) of this section prior to April 27, 2016, that qualifies for equalization but that has not yet received equalization funding shall be eligible for equalization funding as provided in subsection (1)(a) or (b) or (2) of this section, subject to **subsection (6) of this section**~~the provision of funding by the General Assembly~~.
- (c) On and after April 24, 2008, a local school district not included in paragraph (a) or (b) of this subsection shall be prohibited from imposing an equivalent rate levy under the provisions of subsection (1)(a) or (b) of this section, and shall not be eligible for equalization funding under the provisions of this section.
- (d) On and after April 24, 2008, a local school district meeting the requirements of subsection (1)(c) of this section may impose the levy authorized by subsection (1)(c) of this section, and shall qualify for equalization as provided in subsection (1)(c) of this section, subject to **subsection (6) of this section**~~the provision of funding by the General Assembly~~.
- (5) (a) Any local school district that:
 1. Had school facilities classified as Category 5 on May 18, 2010, by the Kentucky Department of Education; and
 2. Levied an additional five cents (\$0.05) equivalent tax rate prior to April 27, 2016, for debt service, new construction, and major renovation beyond the five cents (\$0.05) equivalent tax rate required by KRS 157.440(1)(b), except as provided in paragraph (b) of this subsection;

shall be eligible for equalization from the state for that levy at one hundred fifty percent (150%) of the statewide average per pupil assessment beginning in the fiscal year following the fiscal year in which the levy was imposed **subject to subsection (6) of this section**. This levy shall be subject to the recall provisions of KRS 132.017.

- (b) School districts that levied a five cents (\$0.05) equivalent tax rate for debt service, new construction, and major renovation, beyond the rate required by KRS 157.440(1)(b) prior to May 18, 2010, shall not be required to levy an additional tax to receive the equalization funds provided in paragraph (a) of this subsection.
- (c) If the school district utilizes the equalization funds to support a bond issue for construction purposes, equalization funds shall be provided until the earlier of twenty (20) years or date the bonds are retired.
- (d) In the event that a school district receives funding pursuant to this subsection to support construction of a new school facility and subsequently, as a result of litigation, receives funding for the same facility for which state funds were provided, that school district shall reimburse the Commonwealth an amount equal to the amount provided under paragraph (a) of this subsection. Any funds received in this manner shall be deposited in the budget reserve trust fund account established in KRS 48.705.
- (6) (a) ***For equivalent tax rates levied under this section prior to January 1, 2026, equalization funds authorized under this section shall terminate upon the earlier of twenty (20) years or the date the bonds supported by the equalization funding are retired. Equalization shall be subject to the fiscal condition of the Commonwealth and funding by the General Assembly.***
- (b) ***For equivalent tax rates levied under this section on or after January 1, 2026, equalized funds shall not be authorized under this section or provided by the state.***
- (c) ***The commissioner of education shall compile a list of every equivalent tax rate levied by a school district under the authority of this section, the bonds or debt service to which the equivalent tax rate revenues and any related equalized funds are dedicated, and the date those bonds or debt service are scheduled to be retired. This list shall be submitted to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue Committee by September 1 of each year until the equalization funds are terminated under paragraph (a) of this subsection.***

➔Section 92. KRS 11A.211 is amended to read as follows:

- (1) Each executive agency lobbyist, employer, and real party in interest shall file with the commission within ten (10) days following the engagement of an executive agency lobbyist, an initial registration statement showing all of the following:
 - (a) The name, business address, and occupation of the executive agency lobbyist;
 - (b) The name and business address of the employer and of any real party in interest on whose behalf the executive agency lobbyist is acting, if it is different from the employer. However, if a trade association or other charitable or fraternal organization that is exempt from federal income taxation under Section 501(c) of the Internal Revenue Code is the employer, the statement need not list the names and addresses of every member of the association or organization, so long as the association or organization itself is listed;
 - (c) A brief description of the executive agency decision to which the engagement relates;
 - (d) The name of the executive agency or agencies to which the engagement relates;
 - (e) Certification by the employer and executive agency lobbyist that the information contained in the registration statement is complete and accurate;
 - (f) Compensation paid to, or received by, each executive agency lobbyist, employer, and real party in interest as part of the engagement; and
 - (g) Certification that the employer and agent have complied with KRS 11A.236.
- (2) In addition to the initial registration statement required by subsection (1) of this section, each executive agency lobbyist, employer, and real party in interest shall file with the commission, not later than the last day of July of each year, an updated registration statement that confirms the continuing existence of each engagement described in an initial registration statement, that lists the specific executive agency decisions the executive agency lobbyist sought to influence under the engagement during the period covered by the updated statement, and the compensation paid to, or received by, each executive agency lobbyist, employer, and real party in interest as part of the engagement, and with it any statement of expenditures required to be filed by KRS 11A.216 and any details of financial transaction required to be filed by KRS 11A.221.
- (3) Compensation paid under subsection (1)(f) of this section shall be reported after it is received by, or paid to, each executive agency lobbyist, employer, and real party in interest as determined by the terms of the engagement, and shall be listed by the amount paid or received, the intervals on which the payment is paid or received, and shall include any other compensation received or paid as part of the engagement.
- (4) If an executive agency lobbyist is engaged by more than one (1) employer, the executive agency lobbyist shall file a separate initial and updated registration statement for each engagement and list compensation paid to, or received by each executive agency lobbyist, employer, and real party in interest as part of the engagement. If an employer engages more than one (1) executive agency lobbyist, the employer shall file only one (1) updated registration statement under subsection (2) of this section, which shall contain the information required by subsection (2) of this section regarding all executive agency lobbyists engaged by the employer.
- (5)
 - (a) A change in any information required by subsection (1)(a), (b), (c), (d), or (2) of this section shall be reflected in the next updated registration statement filed under subsection (2) of this section.
 - (b) Within thirty (30) days following the termination of an engagement, the executive agency lobbyist who was employed under the engagement shall file written notice of the termination with the commission.
- (6) Each employer of one (1) or more executive agency lobbyists, and each real party in interest, shall pay a registration fee of **seven hundred fifty dollars (\$750)**~~five hundred dollars (\$500)~~ upon the filing of an updated registration statement. All fees collected by the commission under the provisions of this subsection shall be deposited in the State Treasury in a trust and agency fund account to the credit of the commission. These agency funds shall be used to supplement general fund appropriations for the operations of the commission and shall not lapse. No part of the trust and agency fund account shall revert to the general funds of this state.
- (7) Upon registration pursuant to this section, an executive agency lobbyist shall be issued a card annually by the commission showing the executive agency lobbyist is registered. The registration card shall be valid from the date of its issuance through the thirty-first day of July of the following year.
- (8) The commission shall review each registration statement filed with the commission under this section to determine if the statement contains all of the required information. If the commission determines the

registration statement does not contain all of the required information or that an executive agency lobbyist, employer, or real party in interest has failed to file a registration statement, the commission shall send written notification of the deficiency by certified mail to the person who filed the registration statement or to the person who failed to file the registration statement regarding the failure. Any person so notified by the commission shall, not later than fifteen (15) days after receiving the notice, file a registration statement or an amended registration statement that includes all of the required information. If any person who receives a notice under this subsection fails to file a registration statement or an amended registration statement within the fifteen (15) day period, the commission may initiate an investigation of the person's failure to file. If the commission initiates an investigation pursuant to this section, the commission shall also notify each elected executive official and the secretary of each cabinet listed in KRS 12.250 of the pending investigation.

- (9) In the biennial report published under KRS 11A.110(13), the commission shall, in the manner and form the commission determines, include a report containing statistical information on the registration statements filed under this section during the preceding biennium.
- (10) If an employer who engages an executive agency lobbyist, or a real party in interest on whose behalf the executive agency lobbyist was engaged is the recipient of a contract, grant, lease, or other financial arrangement pursuant to which funds of the state or of an executive agency are distributed or allocated, the executive agency or any aggrieved party may consider the failure of the real party in interest, the employer, or the executive agency lobbyist to comply with this section as a breach of a material condition of the contract, grant, lease, or other financial arrangement.
- (11) Executive agency officials may require certification from any person seeking the award of a contract, grant, lease, or financial arrangement that the person, his or her employer, and any real party in interest are in compliance with this section.

➔SECTION 93. A NEW SECTION OF KRS 363.510 TO 363.850 IS CREATED TO READ AS FOLLOWS:

- (1) *Beginning January 1, 2027, an electric vehicle power dealer shall not operate an electric vehicle charging station without first obtaining a retail electric vehicle charging license from the department. A retail electric vehicle charging license shall be valid from the date of issuance until January 31 of the following calendar year.*
- (2) *The department shall collect an annual license fee in the amount of one hundred dollars (\$100) per electric vehicle charging port located at an electric vehicle charging station from the license holder to be deposited in the fund established in subsection (3) of this section for the purpose of implementing and administering of the retail electric vehicle charging program established by this section.*
- (3)
 - (a) *There is hereby established in the State Treasury a trust and agency account to be known as the retail electric vehicle charging station license fund. The fund shall consist of moneys received from the license fee imposed in subsection (2) of this section, state appropriations, gifts, grants, and federal funds.*
 - (b) *The fund shall be administered by the department.*
 - (c) *Amounts deposited in the fund shall be used for the implementation and administration of the electric vehicle charging station inspection program established by this section and for no other purpose.*
 - (d) *Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal year shall not lapse but shall be carried forward into the next fiscal year.*
- (4) *Except as provided in subsection (5) of this section, beginning January 1, 2027, the department shall inspect each licensed electric vehicle charging station owned or leased by an electric vehicle power dealer at least once every two (2) years. The inspection shall include determinations of compliance with the standards in the current edition of the National Institute of Standards and Technology's Handbook 44 or other applicable standards relating to:*
 - (a) *The accuracy of the meters and displays of the electric vehicle charging ports from which electricity is sold, including with regard to the electrical rate, the charging speed, and the real-time charging status of the customer's electric vehicle;*
 - (b) *Electrical and safety standards;*

- (c) *Output voltages from electric vehicle charging port connectors;*
 - (d) *Security of payment methods and customer data; and*
 - (e) *Any physical security or cybersecurity measures that the department may require.*
- (5) *Electric vehicle charging stations constructed using funds from the National Electric Vehicle Infrastructure Funding Program established under the federal Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, shall not be subject to the licensure or inspection requirements of this section or administrative regulations promulgated under this section until five (5) years have elapsed from the initial date of operation of the electric vehicle charging station and the long-term stewardship requirement under 23 C.F.R. sec. 680.106 has expired.*
- (6) *Within ninety (90) days of the effective date of this section of this Act, the department shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish electric vehicle charging station inspection standards and to carry out and enforce this section.*

➔Section 94. KRS 363.510 is amended to read as follows:

As ~~When~~ used in KRS 363.510 to 363.850:

- (1) "Department" means the Kentucky Department of Agriculture;
- (2) "Commissioner" means the Commissioner of Agriculture;
- (3) "Division" means the Division of Regulation and Inspection;
- (4) (a) "Weights and measures" means all weights and measures of every kind, instruments and devices for weighing and measuring, and any appliances and accessories associated with any of the instruments and devices.
- (b) The term shall include instruments and devices used to measure internal moisture or density levels in unprocessed bulk tobacco if that moisture or density determination is used as a condition of sale or as part of a contractual sales agreement.
- (c) The term shall not include meters for the measurement of electricity, gas (natural or manufactured), or water when they are operated in a public utility system. Electricity, gas, and water meters are specifically excluded from the purview of KRS 363.510 to 363.850, and none of the provisions of KRS 363.510 to 363.850 shall apply to those meters or to any appliances or accessories associated with those meters. ***However, this paragraph shall not be construed to prohibit the department from regulating or inspecting electric vehicle charging stations or any associated electric meters under Section 93 of this Act or the administrative regulations promulgated under Section 93 of this Act;***
- (5) "Sell" and "sale" mean barter and exchange;
- (6) "Director" means the state director of the Division of Regulation and Inspection;
- (7) "Inspector" means a state inspector of weights and measures;
- (8) "Intrastate commerce" means all commerce or trade that is begun, carried on, and completed wholly within the limits of the State of Kentucky, and the phrase "introduced into intrastate commerce" defines the time and place at which the first sale and delivery of a commodity is made within the state, the delivery being made either directly to the purchaser or to a common carrier for shipment to the purchaser;
- (9) "Commodity in package form" means a commodity put up or packaged in any manner in advance of sale in units suitable for either wholesale or retail sale, exclusive of any auxiliary shipping container enclosing packages that individually conform to the requirements of KRS 363.510 to 363.850. An individual item or lot of any commodity not in package form as defined in this section, but on which there is marked a selling price based on an established price per unit of weight or of measure, shall be considered a commodity in package form;
- (10) "Consumer package" or "package of consumer commodity" means a commodity in package form that is customarily produced or distributed for sale through retail sales agencies or instrumentalities for consumption by individuals or use by individuals for the purposes of personal care or in the performance of services ordinarily rendered in or about the household or in connection with personal possessions;

- (11) "Nonconsumer package" or "package of nonconsumer commodity" means any commodity in package form other than a consumer package, and particularly a package designed solely for industrial or institutional use or for wholesale distribution only;
- (12) (a) "Barrel," when used in connection with fermented liquor, means a unit of thirty-one (31) gallons.
 (b) "Ton" means a unit of two thousand (2,000) pounds avoirdupois weight.
 (c) "Cord," when used in connection with wood intended for fuel purposes, means the amount of wood that is contained in a space of one hundred twenty-eight (128) cubic feet when the wood is ranked and well stowed;~~and~~
- (13) "Weight," as used in connection with any commodity, means net weight. If any commodity is sold on the basis of weight, the net weight of the commodity shall be used, and all contracts concerning commodities shall use net weight as their basis of weight;
- (14) *"Electric vehicle" has the same meaning as in KRS 186.010;*
- (15) *"Electric vehicle charging port" means the system at an electric vehicle charging station that can provide power to charge only one (1) electric vehicle at a time, even though it may have multiple connectors;*
- (16) *"Electric vehicle charging station" means any place with electric vehicle supply equipment that has an electrical power charging capacity of twenty (20) kilowatts or more and that:*
- (a) *Is accessible to general public vehicular traffic; and*
 (b) *Sells electricity at retail to charge a battery or other storage device of an electric vehicle;*
- (17) *"Electric vehicle power dealer" means a person who owns or leases an electric vehicle charging station; and*
- (18) *"Electric vehicle supply equipment" means any device or system designed and used specifically to transfer electrical energy to an electric vehicle, either as charge transferred via physical or wireless connection, by loading a fully charged battery, or by other means.*

➔Section 95. KRS 138.477 is amended to read as follows:

- (1) As used in this section:
- (a) "Department" means the Department of Revenue;
- (b) "Distribute" means the delivery or transfer of electric power into the battery or other energy storage device of an electric vehicle at a location in this state;
- (c) "Electric vehicle power" means electrical energy distributed into the battery or other energy storage device of an electric vehicle to be used to power the vehicle;
- (d) "Electric vehicle power dealer" means a person who:
1. Owns or leases an electric vehicle charging station with a charging capacity of twenty (20) kilowatts or more; *or*
 2. *Receives payment for charges for power distributed through an electric vehicle charging station;*
- (e) "Electric vehicle" has the same meaning as in KRS 186.010;
- (f) "Electric vehicle charging station" means any place accessible to general public vehicular traffic where electric power may be used to charge a battery or other storage device of a licensed electric vehicle; and
- (g) "Person" has the same meaning as in KRS 139.010.
- (2) On or after January 1, 2024:
- (a) An excise tax with an initial base rate of three cents (\$0.03) per kilowatt hour is imposed on electric vehicle power distributed in this state by an electric vehicle power dealer for the purpose of charging electric vehicles in this state; and

- (b) A surtax with an initial base rate of three cents (\$0.03) per kilowatt hour is imposed on electric vehicle power distributed in this state by an electric vehicle power dealer when the electric vehicle charging station is located on state property.
 - (3) (a) On or before December 1 *of each year*~~[, 2024, and on or before each December 1 thereafter,]~~ the department shall compare the most current quarterly National Highway Construction Cost Index 2.0 (NHCCI 2.0) value and determine the percentage change in relation to the NHCCI 2.0 value from the same quarter for the previous year.
 - (b) 1. The tax rate on January 1, 2025, and on each January 1 thereafter, shall be adjusted by the change in the NHCCI 2.0 determined by paragraph (a) of this subsection, unless the change is:
 - a. Greater than a five percent (5%) increase, in which case the taxes shall be one hundred five percent (105%) of the tax rates in effect at the close of the previous calendar year; or
 - b. Greater than a five percent (5%) decrease, in which case the taxes shall be ninety-five percent (95%) of the tax rates in effect at the close of the previous calendar year.
 - 2. Notwithstanding subparagraph 1. of this paragraph, the tax rate shall not be less than the initial base rate identified in subsection (2) of this section.
 - (c) Adjustments to the tax rate shall be rounded to the nearest one-tenth of one cent (\$0.001).
- (4) At least twenty (20) days in advance of the first day of each calendar year, the department shall provide notification of:
 - (a) The adjusted electric vehicle power tax rate for the upcoming calendar year to all electric vehicle power dealers; and
 - (b) The adjusted electric vehicle ownership fee imposed under KRS 138.475 for the upcoming calendar year to all county clerks.
- (5) This tax shall be:
 - (a) Administered by the department; and
 - (b) Transferred to the road fund as defined in KRS 48.010.
- (6) (a) The tax shall be added to the selling price charged by the electric vehicle power dealer at the electric vehicle charging station on electric vehicle power sold in this state.
 - (b) If there is no selling price at the charging station, the electric vehicle power dealer shall be responsible for paying the tax on the electric power distributed by the electric vehicle charging station, except in the case of an electric vehicle charging station installed prior to July 1, 2022.
- (7) (a) The tax imposed shall be paid by the electric vehicle power dealer to the State Treasurer.
 - (b) The electric vehicle power dealer is liable for the electric vehicle power tax.
- (8) Every electric vehicle power dealer shall, by the twenty-fifth day of each month, transmit to the department reports, on the forms the department may prescribe, on the total kilowatt hours distributed and the amount of tax collected. Payment of the tax shall be due with the report.
- (9) The electric vehicle power dealer shall keep and preserve an accurate record of all receipts of electricity and tax together with invoices or other pertinent records and papers required by the department for five (5) years.
- (10) (a) No dealer or other person shall fail or refuse to make the returns and pay the tax prescribed by this section, or refuse to permit the department or its representatives appointed by the commissioner of the department in writing to examine his or her records, papers, files, and equipment pertaining to the taxable business.
 - (b) No person shall make an incomplete, false, or fraudulent return, or attempt to do anything to avoid a full disclosure of the amount of business done or to avoid the payment of the whole or any part of the tax or penalties due.
 - (c) No person shall fail to keep and preserve records of electric vehicle power distributed to make reports as required by this section.
- (11) Any person who violates any provision of this section shall be subject to the uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax interest rate as defined in KRS 131.183.

- (12) (a) Notwithstanding any other provisions of this chapter to the contrary, the president, vice president, secretary, treasurer, or any other person holding any equivalent corporate office of any corporation subject to the provisions of this chapter shall be personally and individually liable, both jointly and severally, for the taxes imposed under this chapter, and neither the corporate dissolution nor withdrawal of the corporation from the state nor the cessation of holding any corporate office shall discharge the foregoing liability of any person.
- (b) The personal and individual liability shall apply to each and every person holding the corporate office at the time the taxes become or became due.
- (c) No person will be personally and individually liable pursuant to this section who had no authority in the management of the business or financial affairs of the corporation at the time that the taxes imposed by this chapter become or became due.
- (13) (a) Notwithstanding any other provisions of this chapter, KRS 275.150, 362.1-306(3) or predecessor law, or 362.2-404(3) to the contrary, the managers of a limited liability company, the partners of a limited liability partnership, and the general partners of a limited liability limited partnership or any other person holding any equivalent office of a limited liability company, limited liability partnership, or limited liability limited partnership subject to the provisions of this chapter shall be personally and individually liable, both jointly and severally, for the taxes imposed under this chapter.
- (b) Dissolution or withdrawal of the limited liability company, limited liability partnership, or limited liability limited partnership from the state, or the cessation of holding any office shall not discharge the liability of any person.
- (c) The personal and individual liability shall apply to each and every manager of a limited liability company, partner of a limited liability partnership, and general partner of a limited liability limited partnership at the time the taxes become or became due.
- (d) No person shall be personally and individually liable under this subsection who had no authority to collect, truthfully account for, or pay any tax imposed by this chapter at the time that the taxes imposed by this chapter become or became due.
- (14) "Taxes" as used in this section shall include interest accrued at the rate provided by KRS 131.183, all applicable penalties imposed under this chapter, and all applicable penalties and fees imposed under KRS 131.180, 131.410 to 131.445, and 131.990.
- (15) The department may prescribe forms and promulgate administrative regulations to execute and administer the provisions of this section.

➔Section 96. KRS 138.446 is amended to read as follows:

- (1) Bus companies ~~and taxicab companies~~ operating under a certificate issued pursuant to KRS Chapter 281 and senior citizen programs which utilize Title III funds of the Older Americans Act in the provision of transportation services shall be entitled to a refund of seven-ninths (7/9) of the amount of KRS Chapter 138 taxes paid on motor fuels used in their regularly scheduled operations in Kentucky.
- (2) ~~A~~**No** person shall **not** be entitled to a refund pursuant to this section unless he **or she** shall have first filed with the department a bond issued by a surety company authorized to do business in Kentucky in an amount of not less than one thousand dollars (\$1,000) nor more than five thousand dollars (\$5,000) to be determined by the department, conditioned upon faithful compliance with this section and upon the payment to the Commonwealth of any refunds to which he was not entitled.
- (3) Applications for refund shall be filed with the department on a calendar quarter or calendar year basis on forms and in the manner prescribed by it for refund of tax paid on motor fuel used by buses ~~or taxicabs~~. Each application for a refund shall show the number of gallons of motor fuel purchased during the quarter for use in buses ~~or taxicabs~~; the date and quantity of each purchase; the vendor from whom the fuel was purchased; the number of gallons on which refund is claimed; and other information the department may require. ~~Invoices shall be attached to applications from taxicab companies.~~
- (4) ~~The department may require any gasoline dealer or any dealer's authorized agent to identify gasoline sold by him for taxicab use by adding any chemical or substance, which shall be furnished by the department and used in the manner as prescribed by the department.~~ The department ~~also~~ may require that the dealer keep a

complete record of all the gasoline sold by him *or her*, which records shall give the date of each sale, the number of gallons sold, the name of the person to whom sold, and the sale price.

- (5) The department shall audit the application and make any other investigation it deems necessary to determine whether it constitutes a proper claim. When the department is satisfied that a refund is proper, it shall authorize seven-ninths (7/9) of the amount of the tax paid to be refunded as other refunds are made and the amount refunded shall be deducted from current motor fuel tax receipts. The tax shall be refunded with interest at the tax interest rate as defined in KRS 131.010~~{(6)}~~.
- (6) When the department finds that an application for a refund contains a false or fraudulent statement or that a refund has been fraudulently obtained, the department shall refuse to grant any refunds to the person making the false or fraudulent statement or fraudulently obtaining a refund for a period of two (2) years from the date of the findings.
- (7) The department may prescribe, promulgate and enforce administrative regulations relating to the administration and enforcement of this section~~{}~~.
- ~~(8) The refund provided for in this section shall be effective on motor fuel purchased on or after July 1, 1978.~~

➔Section 97. KRS 138.210 is amended to read as follows:

As used in KRS ~~138.210 to 138.448~~~~[138.220 to 138.446]~~, unless the context requires otherwise:

- (1) "Accountable loss" means loss or destruction of "received" gasoline or special fuel through wrecking of transportation conveyance, explosion, fire, flood or other casualty loss, or contaminated and returned to storage. The loss shall be reported within thirty (30) days after discovery of the loss to the department in a manner and form prescribed by the department, supported by proper evidence which in the sole judgment of the department substantiates the alleged loss or contamination and which is confirmed in writing to the reporting dealer by the department. The department may make any investigation deemed necessary to establish the bona fide claim of the loss;
- (2) "Agricultural purposes" means purposes directly related to the production of agricultural commodities and the conducting of ordinary activities on the farm;
- (3) "Annual survey value" means the average of the quarterly survey values for a fiscal year, as determined by the department, based upon surveys taken during the first month of each quarter of the fiscal year;
- (4) "Average wholesale price" means the weighted average per gallon wholesale price of gasoline, based on the quarterly survey value as determined by the department, and as adjusted by KRS 138.228;
- (5) "Bulk storage facility" means gasoline or special fuels storage facilities of not less than twenty thousand (20,000) gallons owned or operated at one (1) location by a single owner or operator for the purpose of storing gasoline or special fuels for resale or delivery to retail outlets or consumers;
- (6) **"Cellulosic ethanol" has the same meaning as in KRS 141.422;**
- (7) "Dealer" means any person who is:
 - (a) Regularly engaged in the business of refining, producing, distilling, manufacturing, blending, or compounding gasoline or special fuels in this state;
 - (b) Regularly importing gasoline or special fuel, upon which no tax has been paid, into this state for distribution in bulk to others;
 - (c) Distributing gasoline from bulk storage in this state;
 - (d) Regularly engaged in the business of distributing gasoline or special fuels from bulk storage facilities primarily to others in arm's-length transactions;
 - (e) In the case of gasoline, receiving or accepting delivery within this state of gasoline for resale within this state in amounts of not less than an average of one hundred thousand (100,000) gallons per month during any prior consecutive twelve (12) months' period, when in the opinion of the department, the person has sufficient financial rating and reputation to justify the conclusion that he or she will pay all taxes and comply with all other obligations imposed upon a dealer; or
 - (f) Regularly exporting gasoline or special fuels;
- ~~(8){(7)}~~ "Department" means the Department of Revenue;

- (9)~~(8)~~ "Diesel fuel":
- (a) Means any liquid other than gasoline that, without further processing or blending, is suitable for use as a fuel in a diesel powered highway vehicle; ~~and Diesel fuel~~
 - (b) Does not include unblended kerosene, No. 5~~;~~ and No. 6 fuel ~~oils~~~~oil~~ as described in ASTM specification D 396, or F-76 Fuel Naval Distillate MILL-F-166884;
- (10)~~(9)~~ "Dyed diesel fuel" means diesel fuel that is required to be dyed under United States Environmental Protection Agency rules for high sulfur diesel fuel, or is dyed under the Internal Revenue Service rules for low sulfur fuel, or pursuant to any other requirements subsequently set by the United States Environmental Protection Agency or the Internal Revenue Service;
- (11) *"Ethanol" has the same meaning as in KRS 141.422;*
- (12) *"Ethanol flex fuel" means an ethanol fuel blend of ethanol and gasoline that meets the current ASTM specification D5798;*
- (13)~~(10)~~ "Financial instrument" means a bond issued by a corporation authorized to do business in Kentucky, a line of credit, or an account with a financial institution maintaining a compensating balance;
- (14) *"Fuel grade ethanol" includes ethanol, cellulosic ethanol, and ethanol flex fuel;*
- (15)~~(11)~~ "Gasoline":
- (a) Means all liquid fuels, including liquids ordinarily, practically, and commercially usable in internal combustion engines for the generation of power, and all distillates of and condensates from petroleum, natural gas, coal, coal tar, vegetable ferments, and all other products so usable which are produced, blended, or compounded for the purpose of operating motor vehicles, showing a flash point of **one hundred ten** (110) degrees Fahrenheit or below, using the Elliott Closed Cup Test, or when tested in a manner approved by the United States Bureau of Mines, are prima facie commercially usable in internal combustion engines;~~;~~
 - (b) ~~Includes~~~~The term "gasoline" as used herein shall include~~ casing head, absorption, natural gasoline, **fuel grade ethanol**, and condensates when used without blending as a motor fuel, sold for use in motors direct, or sold to those who blend for their own use; ~~and~~~~;~~
 - (c) ~~Does but shall~~ not include~~;~~ propane, butane, or other liquefied petroleum gases;~~;~~ kerosene;~~;~~ cleaner solvent;~~;~~ fuel oil;~~;~~ diesel fuel;~~;~~ crude oil; or casing head, absorption, natural gasoline, **fuel grade ethanol**, and condensates when sold to be blended or compounded with other less volatile liquids in the manufacture of commercial gasoline for motor fuel;~~;~~ industrial naphthas;~~;~~ rubber solvents;~~;~~ Stoddard solvent;~~;~~ mineral spirits;~~;~~ VM and P ~~&~~ naphthas;~~;~~ turpentine substitutes;~~;~~ pentane;~~;~~ hexane;~~;~~ heptane;~~;~~ octane;~~;~~ benzene;~~;~~ benzine;~~;~~ xylol;~~;~~ toluol;~~;~~ aromatic petroleum solvents;~~;~~ alcohol;~~;~~ and liquefied gases which would not exist as liquids at a temperature of sixty (60) degrees Fahrenheit and a pressure of **fourteen and seven tenths** (14.7) pounds per square inch absolute, unless the products are used wholly or in combination with gasoline as a motor fuel;
- (16)~~(12)~~ "Motor vehicle" means any vehicle, machine, or mechanical contrivance propelled by an internal combustion engine and licensed for operation and operated upon the public highways and any trailer or semitrailer attached to or having its front end supported by the motor vehicles;
- (17)~~(13)~~ "Public highways" means every way or place generally open to the use of the public as a matter or right for the purpose of vehicular travel, notwithstanding that they may be temporarily closed or travel thereon restricted for the purpose of construction, maintenance, repair, or reconstruction;
- (18)~~(14)~~ —(a) "Quarterly survey value":
- (a) Means a value determined by the department for each calendar quarter of the weighted average per gallon wholesale price of gasoline, determined from information available through independent statistical surveys of gasoline prices or, if requested, from information furnished by licensed gasoline dealers. The department shall determine, within twenty (20) days following the end of the first month of each calendar quarter, the weighted average of per gallon wholesale selling prices of gasoline for the previous month. That value shall be the quarterly survey value for the beginning of the following calendar quarter; ~~and~~~~;~~

- (b) ~~["Quarterly survey value"]~~ Shall be determined exclusive of any federal gasoline tax and any fee on imported oil imposed by the Congress of the United States;
- (19)~~(15)~~ "Received," ~~for~~ "received gasoline," or "received special fuels" *means* ~~shall have the following meanings~~:
- (a) *I.* Gasoline and special fuels produced, manufactured, or compounded at any refinery in this state or acquired by any dealer and delivered into or stored in refinery, marine, or pipeline terminal storage facilities in this state shall be deemed to be received when it has been loaded for bulk delivery into tank cars or tank trucks consigned to destinations within this state.
 - 2.* For the purpose of the proper administration of this chapter and to prevent the evasion of the tax and to enforce the duty of the dealer to collect the tax, it shall be presumed that all gasoline and special fuel loaded by any licensed dealer within this state into tank cars or tank trucks is consigned to destinations within this state, unless the contrary is established by the dealer, pursuant to administrative regulations prescribed by the department; and
- (b) *I.* Gasoline and special fuels acquired by any dealer in this state, and not delivered into refinery, marine, or pipeline terminal storage facilities, shall be deemed to be received when it has been placed into storage tanks or other containers for use or subject to withdrawal for use, delivery, sale, or other distribution.
- 2.* Dealers may sell gasoline or special fuels to licensed bonded dealers in this state in transport truckload, carload, or cargo lots, withdrawing it from refinery, marine, pipeline terminal, or bulk storage tanks, without paying the tax. In these instances, the licensed bonded dealer purchasing the gasoline or special fuels shall be deemed to have received that fuel at the time of withdrawal from the seller's storage facility and shall be responsible to the state for the payment of the tax thereon;
- (20)~~(16)~~ "Refinery" means any place where gasoline or special fuel is refined, manufactured, compounded, or otherwise prepared for use;
- (21)~~(17)~~ "Retail filling station" means any place accessible to general public vehicular traffic where gasoline or special fuel is or may be placed into the fuel supply tank of a licensed motor vehicle;
- (22)~~(18)~~ "Special fuels" means and includes all combustible gases and liquids capable of being used for the generation of power in an internal combustion engine to propel vehicles of any kind upon the public highways, including diesel fuel, and dyed diesel fuel used exclusively for nonhighway purposes in off-highway equipment and in nonlicensed motor vehicles, except that it does not include gasoline, aviation jet fuel, kerosene unless used wholly or in combination with special fuel as a motor fuel, or liquefied petroleum gas as defined in KRS 234.100;
- (23)~~(19)~~ "Storage" means all gasoline and special fuels produced, refined, distilled, manufactured, blended, or compounded and stored at a refinery storage or delivered by boat at a marine terminal for storage, or delivered by pipeline at a pipeline terminal, delivery station, or tank farm for storage;
- (24)~~(20)~~ "Transporter" means any person who transports gasoline or special fuels on which the tax has not been paid or assumed; and
- (25)~~(21)~~ "Wholesale floor price" means~~:-~~
- (a) ~~Prior to April 1, 2015, one dollar and seventy-eight and six-tenths cents (\$1.786) per gallon; and~~
 - (b) ~~On and after April 1, 2015,~~ two dollars and seventeen and seven-tenths cents (\$2.177) per gallon.
- ➔ SECTION 98. A NEW SECTION OF KRS CHAPTER 246 IS CREATED TO READ AS FOLLOWS:
- (1) *There is hereby created in the State Treasury a trust and agency account to be known as the Friends of Kentucky Agriculture fund. The fund shall consist of the special license plate EF fees associated with the issuance of the Friends of Kentucky Agriculture license plate pursuant to Section 99 of this Act, state appropriations, gifts, grants, and federal funds.*
 - (2) *The fund shall be administered by the Department of Agriculture.*
 - (3) *Amounts deposited in the fund shall be used for agricultural programs administered by the department and for no other purpose.*

- (4) *Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal year shall not lapse, but shall be carried forward to the next fiscal year.*

➔ Section 99. KRS 186.162 is amended to read as follows:

- (1) As used in this section and in KRS 186.043, 186.164, 186.166, 186.1722, and 186.174:
- (a) "Special license plate" means a unique license plate issued under this chapter to a group or organization that readily identifies the operator of the motor vehicle or motorcycle bearing the plate as a member of a group or organization, or a supporter of the work, goals, or mission of a group or organization. The term shall not include regular license plates issued under KRS 186.240;
 - (b) "Street rod" means a modernized private passenger motor vehicle manufactured prior to the year 1949, or designed or manufactured to resemble a vehicle manufactured prior to 1949;
 - (c) "SF" means the portion of an initial or renewal fee to obtain a special license plate that is dedicated for use by the Transportation Cabinet;
 - (d) "CF" means the county clerk's fee for issuing a motor vehicle registration as established under KRS 186.040(1). If a CF amount is charged for a license plate listed in this section, the applicant for that plate shall also pay the fees identified in KRS 186.040(6). If a CF amount is not charged, the applicant shall not be required to pay those fees; and
 - (e) "EF" means the portion of an initial or renewal fee to obtain a special license plate that is mandated by this chapter to be dedicated for use by a particular group or organization.
- (2) The initial purchase fee and renewal fee for a special license plate created under this chapter shall be as established in this subsection and includes the name of group or organization and the total initial and renewal fee required for the plate. The amount in parentheses indicates how the total fee is required to be divided:
- (a) Disabled veterans who receive assistance to purchase a vehicle from the United States Department of Veterans' Affairs, veterans declared by the United States Department of Veterans' Affairs to be one hundred percent (100%) service-connected disabled, and recipients of the Congressional Medal of Honor:
 1. Initial Fee: \$0 (\$0 SF/\$0 CF/\$0 EF).
 2. Renewal Fee: \$0 (\$0 SF/\$0 CF/\$0 EF).
 - (b) Former prisoners of war, *recipients of the Purple Heart*, and survivors of Pearl Harbor:
 1. Initial Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans' program trust fund established under KRS 40.460).
 2. Renewal Fee: \$11 (\$0 SF/\$6 CF/\$5 EF to the veterans' program trust fund established under KRS 40.460).
 - (c) Members of the Kentucky National Guard ~~and recipients of the Purple Heart~~:
 1. Initial Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the *National Guard Association of Kentucky* ~~veterans' program trust fund established under KRS 40.460~~).
 2. Renewal Fee: \$11 (\$0 SF/\$6 CF/\$5 EF to the *National Guard Association of Kentucky* ~~veterans' program trust fund established under KRS 40.460~~).
 - (d) Members of the Civil Air Patrol; active, retired, veteran, reserve, or auxiliary members of the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard; Merchant Marines who served between December 7, 1941, and August 15, 1945; recipients of the Silver Star Medal, the Legion of Merit Medal, the Distinguished Flying Cross, the Air Medal, the Combat Action Badge, the Combat Infantry Badge, or the Bronze Star Medal; persons who wish to receive Gold Star Mothers, Gold Star Fathers, or Gold Star Spouses license plates beyond the two (2) exempted from fees under KRS 186.041(6); individuals eligible for a special military service academy license plate under KRS 186.041(8); individuals eligible for a special military unit license plate under KRS 186.163; and disabled veterans who have been declared to be between fifty percent (50%) and ninety-nine percent (99%) service-connected disabled by the United States Department of Veterans' Affairs:

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1. Initial Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans' program trust fund established under KRS 40.460).
 2. Renewal Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans' program trust fund established under KRS 40.460).
- (e) Recipients of the Distinguished Service Cross, Navy Cross, or Air Force Cross:
1. Initial Fee: \$6 (\$0 SF/\$6 CF/\$0 EF).
 2. Renewal Fee: \$6 (\$0 SF/\$6 CF/\$0 EF).
- (f) Disabled license plates:
1. Initial Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).
 2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).
- (g) Historic vehicles:
1. Initial Fee for two plates: \$56 (\$50 SF/\$6 CF/\$0 EF).
 2. Renewal Fee: Do not renew annually.
- (h) Members of Congress:
1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
 2. Renewal Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans' program trust fund established under KRS 40.460).
- (i) Firefighters:
1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky Firefighters Association).
 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky Firefighters Association).
- (j) Emergency management:
1. Initial Fee: \$31 (\$25 SF/\$6 CF/\$0 EF).
 2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).
- (k) Fraternal Order of Police:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Kentucky FOP Death Benefit Fund).
 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky FOP Death Benefit Fund).
- (l) Law Enforcement Memorial:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Kentucky Law Enforcement Memorial Foundation, Inc.).
 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky Law Enforcement Memorial Foundation, Inc.).
- (m) Personalized plates for a motor vehicle that is required to be registered under the provisions of KRS 186.050(1), (3)(a), or (4)(a), or a motorcycle required to be registered under the provisions of KRS 186.050(2):
1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
 2. Renewal Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
- (n) Street rods:
1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).

2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).
- (o) Nature plates:
1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to Kentucky Heritage Land Conservation Fund established under KRS 146.570).
2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to Kentucky Heritage Land Conservation Fund established under KRS 146.570).
- (p) Amateur radio:
1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).
- (q) Kentucky General Assembly:
1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
2. Renewal Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans' program trust fund established under KRS 40.460).
- (r) Kentucky Court of Justice:
1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
2. Renewal Fee: \$11 (\$0 SF/\$6 CF/\$5 EF to the veterans' program trust fund established under KRS 40.460).
- (s) Masons:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Masonic Homes of Kentucky).
2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Masonic Homes of Kentucky).
- (t) Collegiate plates:
1. Initial Fee: \$53 (\$37 SF/\$6 CF/\$10 EF to the general scholarship fund of the university whose name will be borne on the plate).
2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the general scholarship fund of the university whose name will be borne on the plate).
- (u) Independent Colleges:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Association of Independent Kentucky Colleges and Universities for distribution to the general scholarship funds of the Association's members).
2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Association of Independent Kentucky Colleges and Universities for distribution to the general scholarship funds of the Association's members).
- (v) Child Victims:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the child victims' trust fund established under KRS 41.400).
2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the child victims' trust fund established under KRS 41.400).
- (w) Kentucky Horse Council:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Kentucky Horse Council).
2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky Horse Council).
- (x) Ducks Unlimited:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to Kentucky Ducks Unlimited).

2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to Kentucky Ducks Unlimited).
- (y) Spay neuter:
1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the animal control and care fund established under KRS 258.119).
 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the animal control and care fund established under KRS 258.119).
- (z) Gold Star Mothers, Gold Star Fathers, or Gold Star Spouses:
1. Initial Fee: \$0 (\$0 SF/\$0 CF/ \$0 EF).
 2. Renewal Fee: \$0 (\$0 SF/\$0 CF/ \$0 EF).
 3. A person may receive a maximum of two (2) plates under this paragraph free of charge and may purchase additional plates for fees as established in subsection (2)(d) of this section.
- (aa) I Support Veterans:
1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky Department of Veterans' Affairs).
 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky Department of Veterans' Affairs).
- (ab) Gold Star Siblings, Gold Star Sons, or Gold Star Daughters:
1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the veterans' program trust fund established under KRS 40.460).
 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the veterans' program trust fund established under KRS 40.460).
- (ac) POW/MIA Awareness:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the veterans' program trust fund established under KRS 40.460).
 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the veterans' program trust fund established under KRS 40.460).
- (ad) Personalized plates for a recreational vehicle that is required to be registered under the provisions of KRS 186.050(11):
1. Initial Fee: \$51 (\$45 SF/\$6 CF/\$0 EF).
 2. Renewal Fee: \$51 (\$45 SF/\$6 CF/\$0 EF).
- (ae) Friends of Kentucky Agriculture:
1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the *Friends of Kentucky Agriculture fund established under Section 98 of this Act*~~agricultural program trust fund established under KRS 246.247~~).
 2. Renewal Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the *Friends of Kentucky Agriculture fund established under Section 98 of this Act*~~agricultural program trust fund established under KRS 246.247~~).
- (af) Special license plates established under KRS 186.164:
1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF).
 2. Renewal Fee: \$41 (\$25 SF/\$6 CF/\$10 EF).
- (3) Any special license plate may be combined with a personalized license plate for a twenty-five dollar (\$25) state fee in addition to all other fees for the particular special license plate established in this section and in KRS 186.164(3). The twenty-five dollar (\$25) fee required under this subsection shall be divided between the cabinet and the county clerk of the county where the applicant is applying for the license plate with the cabinet receiving twenty dollars (\$20) and the county clerk receiving five dollars (\$5).

- (4) (a) A sponsoring organization of any special license plate issued under this section or any special license plate established under the provisions of KRS 186.164 may petition the cabinet for the production of that special license plate for motorcycles.
- (b) The cabinet shall make all of the special military license plates in this section available for motorcycles owned or leased by eligible individuals.
- (c) Owners and lessees of motorcycles registered under KRS 186.050(2) may be eligible to receive special license plates approved by the cabinet under paragraphs (a) and (b) of this subsection. Applicants for a special license plate for a motorcycle shall be required to pay the fee for a special plate as prescribed in this section or in KRS 186.164. The fee paid for the special plate for a motorcycle shall be in lieu of the registration fee required under KRS 186.050(2).
- (5) The Transportation Cabinet shall:
 - (a) Identify the cost of issuing a child victims' trust fund special license plate under subsection (2)(v) of this section; and
 - (b) Transfer any revenue received from the initial or renewal SF fee that is in excess of the cost identified in paragraph (a) of this subsection to the child victims' trust fund established under KRS 41.400.

➔Section 100. KRS 186.164 is amended to read as follows:

- (1) The SF portion of the fee required under KRS 186.162 shall include the fee to reflectorize all license plates under KRS 186.240. All EF fees required under KRS 186.162 shall be collected at the time of an initial or renewal application by the county clerk who shall forward the EF fee to the cabinet. The cabinet shall remit EF fees to the *fund*, group, or organization identified in KRS 186.162 on a quarterly basis. The cabinet may retain any investment income earned from holding EF fees designated to be remitted under this subsection to offset administrative costs incurred by the cabinet in the administration of EF fees.
- (2) A special license plate shall be the color and design selected by the group or organization identified in subsection (13) of this section, contingent upon the approval of the Transportation Cabinet. In addition to the design selected for a special license plate, the name "Kentucky," an annual renewal decal, and any combination of letters or numerals required by the cabinet in the design shall also appear on the plate.
- (3) An actual metal special license plate shall be issued on the same schedule as regular license plates are issued under KRS 186.240. The cabinet shall have the discretion to extend the time period that will exist between the date a metal special license plate is issued and the date that regular plates are issued under KRS 186.240. A renewal registration decal shall be issued all other years during the owner's or lessee's birth month, except as provided in KRS 186.041(2) and 186.042(5). A person seeking a special license plate for a vehicle provided as part of the person's occupation shall conform to the requirements of KRS 186.050(14).
- (4) (a) If a special license plate issued under this chapter deteriorates to the point that the lettering, numbering, or images on the face of the plate are not legible, the plate shall be replaced free of charge, if the owner or lessee has not transferred the vehicle to which the plate was issued during the current licensing period.
- (b) If a special license plate issued under this chapter is lost, stolen, or damaged in an accident, the county clerk shall issue a new plate upon payment of a three dollar (\$3) county clerk fee, if the owner or lessee has not transferred the vehicle to which the plate was issued during the current licensing period.
- (5) Upon the sale, transfer, or termination of a lease of a vehicle with any special license plate issued under this chapter, the owner or lessee shall remove the special plate and return it and the certificate of registration to the county clerk. The county clerk shall reissue the owner or lessee a regular license plate and a certificate of registration upon payment of a three dollar (\$3) county clerk fee. If the owner or lessee requests, the county clerk shall reissue the special plate upon payment of a three dollar (\$3) county clerk fee for use on any other vehicle of the same classification and category owned, leased, or acquired by the person during the current licensing period. If the owner or lessee has the special plate reissued to a vehicle which has been previously registered in this state, the regular license plate that is being replaced shall be returned to the county clerk who shall forward the plate to the Transportation Cabinet.
- (6) A special license plate may be issued to the owner or lessee of a motor vehicle that is required to be registered under KRS 186.050(1), (3)(a), or (4)(a), except a special license plate shall not be issued to a taxicab, limousine, or U-Drive-It registered and licensed under this chapter or KRS Chapter 281. A person applying for

a special license plate shall apply in the office of the county clerk in the county of the person's residence, except as provided in KRS 186.168(3). All special license plates issued under this chapter may be combined with a personalized license plate under the provisions of KRS 186.174. The fee to combine a special license plate with a personalized license plate shall be as established in KRS 186.162(3).

- (7) Within thirty (30) days of termination from election to, appointment to, or membership with any group or organization, an applicant to whom a special license plate was issued under this chapter shall return the special license plate to the county clerk of the county of his or her residence, unless the person is merely changing his or her status with the group or organization to retired.
- (8) A group wanting to create a special license plate that is not authorized under this chapter on June 27, 2019, shall comply with the following conditions before being eligible to apply for a special license plate:
 - (a) The group shall be nonprofit and based, headquartered, or have a chapter in Kentucky;
 - (b) The group may be organized for, but shall not be restricted to, social, civic, or entertainment purposes;
 - (c) The message to be placed on the license plate, if created, shall not discriminate against any race, color, religion, sex, or national origin, and shall not be construed, as determined by the cabinet, as an attempt to victimize or intimidate any person due to the person's race, color, religion, sex, or national origin;
 - (d) The plate shall not represent a political party and shall not have been created primarily to promote a specific political belief;
 - (e) The plate shall not have as its primary purpose the promotion of any specific faith, religion, or antireligion;
 - (f) The plate shall not be the name of a special product or brand name, and shall not be construed, as determined by the cabinet, as promoting a product or brand name; and
 - (g) The plate's lettering, logo, image, or message to be placed on the license plate, if created, shall not be obscene, as determined by the cabinet.
- (9) If the cabinet denies to issue a group a special license plate based upon the conditions specified in subsection (8) of this section, the cabinet shall, immediately upon denying to issue a group a special license plate, notify in writing the chairperson of both the House and Senate standing committees on transportation of the denial and the reasons upon which the cabinet based the denial.
- (10) If the cabinet approves a request for a special license plate, the cabinet shall begin designing and printing the plate after:
 - (a) The group collects a minimum of nine hundred (900) applications with each application being accompanied by a fee as set forth in KRS 186.162. The applications and accompanying fee shall be submitted to the cabinet at one (1) time as a whole and shall not be submitted individually or intermittently; and
 - (b) The group submits to the cabinet the programming and production costs for the plate.
- (11) A group that is approved for a special license plate shall maintain a minimum number of five hundred (500) registrations annually for the cabinet to continue production of the plate.
- (12) An initial applicant for, or an applicant renewing, his or her registration for a special license plate shall, at the time of application, make a contribution that the county clerk shall forward to the cabinet as set forth in KRS 186.162. The cabinet shall, on an annual basis, remit the contributions to the appropriate group identified to be used for the declared purpose stated under subsection (13) of this section. The cabinet may retain any investment income earned from holding contributions designated to be remitted under this subsection to offset administrative costs incurred by the cabinet in the administration of the contributions. Any group or organization that receives a mandatory EF fee under KRS 186.162 shall maintain the information required under subsection (13)(a) and (c) of this section with the Transportation Cabinet.
- (13) The group shall, at the time the nine hundred (900) applications are submitted to the Transportation Cabinet, also submit a notarized affidavit to the cabinet attesting to:
 - (a) The name, address, and telephone number for the group or organization. If the group or organization does not have its headquarters in the Commonwealth, then the name, address, and telephone number for the group or organization's Kentucky state chapter shall be required. The names of the officers of the group or organization shall also be required. If the entity receiving funds under subsection (12) of this

section is not a state governmental agency, a program unit within a state governmental agency, or is a group or organization that does not have a statewide chapter, then a donation for use by the group or organization shall be prohibited;

- (b) The amount of the monetary donation the group wants to receive when a person purchases the group or organization's special license plate; and
 - (c) The purpose for which the donated funds will be used by the group or organization. Donated funds shall not be limited for use by members of the group or organization, and shall not be used for administrative or personnel costs of the group or organization.
- (14) (a) All funds received by a group or organization under subsection (12) of this section shall be deposited into an account separate from all other accounts the group or organization may have.
- (b) ***If the amount of money received in any fiscal year by a group or organization under subsection (12) of this section is:***
- 1. ***Equal to or greater than two hundred thousand dollars (\$200,000), ~~and~~ the account shall be audited yearly at the expense of the group or organization, ~~and~~ the completed audit shall be forwarded to the Transportation Cabinet; or***
 - 2. ***Less than two hundred thousand dollars (\$200,000), the group or organization shall submit a form to the cabinet attesting to its compliance with this section ~~in Frankfort~~.***
- (c) One hundred percent (100%) of the funds received by a group or organization under subsection (12) of this section shall be used for the express purpose identified by the group in subsection (13) of this section.
- (d) ***Except as provided in paragraph (e) of this subsection, any agency, group, or organization that receives a mandatory EF fee under KRS 186.162 shall comply with ~~the provisions of~~ this subsection.***
- (e) ***If a mandatory EF fee under Section 99 of this Act is directed into a fund established in statute, the agency controlling the fund shall not be required to keep the EF fee proceeds in a separate account.***
- (15) (a) ***No later than October 1, 2026, and each October 1 thereafter, any group or organization that receives funds under this section or EF fees under Section 99 of this Act, or any agency that administers a fund established in statute that receives funds under this section or EF fees under Section 99 of this Act, shall submit a report on the use of these funds in the previous fiscal year to the:***
- 1. ***Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue; and***
 - 2. ***Auditor of Public Accounts.***
- (b) ***The report required under paragraph (a) of this subsection shall include:***
- 1. ***The total receipts of the fund;***
 - 2. ***The sources of those receipts;***
 - 3. ***An accounting of all expenditures from the fund;***
 - 4. ***A detailed summary of the activities supported by EF fee proceeds, including the amount of money spent on each activity;***
 - 5. ***The identification of any unexpended funds and the reason why the funds were not expended; and***
 - 6. ***An explanation of how all expenditures align with program objectives.***
- (16) The secretary of the Transportation Cabinet shall promulgate administrative regulations ***in accordance with~~under~~ KRS Chapter 13A*** to establish additional rules to implement the issuance of special license plates issued under this chapter, including but not limited to:
- (a) Documentation that will be required to accompany an application for a special license plate to provide proof of:
 - 1. Election to the United States Congress or the Kentucky General Assembly;

2. Election or appointment to the Kentucky Court of Justice;
 3. Membership in a Masonic Order, Fraternal Order of Police, or emergency management organization;
 4. Eligibility for membership in the Gold Star Mothers of America;
 5. Eligibility as a father for associate membership in the Gold Star Mothers of America;
 6. Eligibility for membership in the Gold Star Wives of America;
 7. Ownership of an amateur radio operator license;
 8. Receipt of the Silver Star Medal;
 9. Receipt of the Bronze Star Medal;
 10. Receipt of the Air Medal;
 11. Receipt of the Distinguished Flying Cross;
 12. Receipt of the Combat Action Badge;
 13. Receipt of the Combat Infantry Badge;
 14. Eligibility for a Gold Star Siblings license plate for a person whose sibling died while serving the country in the United States Armed Forces. *As used in* ~~For the purposes of~~ this subparagraph, "sibling" means a sibling by blood, a sibling by half-blood, a sibling by adoption, or a stepsibling; or
 15. Eligibility for a Gold Star Sons or Gold Star Daughters license plate for a person whose parent or stepparent died while serving the country in the United States Armed Forces;
- (b) The time schedule permissible for a group or organization to request a design change for the special license plate; and
- (c) The procedures for review of proposed license plates and the standards by which proposed special license plates are approved or rejected in accordance with subsection (10) of this section.

~~(17)(16)~~ Any individual, group, or organization that fails to audit any funds *as required* ~~received~~ under this ~~section~~ ~~chapter~~, or that intentionally uses any funds received in any way other than attested to under subsection (13) of this section or for administrative or personnel costs in violation of subsection (13) of this section, shall be guilty of a Class D felony and upon conviction shall, in addition to being subject to criminal penalties, be assessed a mandatory five thousand dollar (\$5,000) fine.

➔Section 101. KRS 186.041 is amended to read as follows:

- (1) Each initial and renewal application by a person who meets the criteria of paragraph (a) of this section and each initial application by a person who meets the criteria of paragraph (b), (c), or (d) of this section for a special military license plate shall be accompanied by proof as set forth in subsection (10) of this section that the person is associated with the United States Army, United States Navy, United States Air Force, United States Marine Corps, United States Space Force, United States Coast Guard, United States Coast Guard Auxiliary, Kentucky National Guard, Merchant Marines with service between December 7, 1941, and August 15, 1945, or Civil Air Patrol in one (1) of the following ways:
- (a) A member of the Armed Forces of the United States;
 - (b) A retired member;
 - (c) A member of the National Guard or Reserve component who has completed his or her term of service, or has retired with a minimum of twenty (20) years of service; or
 - (d) A veteran who received a discharge under honorable conditions, or the veteran's surviving spouse, and:
 1. Performed one hundred eighty (180) days of active-duty service;
 2. Received an early release due to injuries or other medical condition, or at the convenience of the service;
 3. Received a hardship discharge;
 4. Was separated or retired due to a disability; or

5. Was determined to have a service-connected disability incurred during the enlistment.
- (2) The member, retired member, veteran, reservist, or his or her spouse who is eligible under subsection (9) of this section may purchase an unlimited number of special military-related license plates described in subsection (1) of this section, annually for vehicles they own or lease. A disabled veterans license plate shall expire on July 31.
- (3) A recipient of the Distinguished Service Cross, Navy Cross, or Air Force Cross shall be eligible for a Service Cross license plate upon submission of an application to the Kentucky Department of Veterans' Affairs. The recipient shall be required to include with the initial application for a Service Cross license plate a copy of the general order that authorized the award and the recipient's Department of Defense form number 214. The Department of Veterans' Affairs shall verify the documentation submitted with the application for a Service Cross license plate, and if the individual applying for the plate is confirmed to be a recipient of the Distinguished Service Cross, Navy Cross, or Air Force Cross, the Department of Veterans' Affairs shall submit the applicant's name to the Transportation Cabinet's Division of Motor Vehicle Licensing not later than September 1 preceding the year that the Service Cross license plate is to be initially issued or renewed. When the Service Cross license plate is ready, the plate shall be sent to the county clerk in the county of the applicant's residence. The Transportation Cabinet's Division of Motor Vehicle Licensing shall inform each applicant in writing that the Service Cross license plate is ready and may be picked up at the county clerk's office. The Transportation Cabinet shall prescribe the type of application form required by this subsection and shall supply the Department of Veterans' Affairs with the application form required by this subsection.
- (4) A person who is a former prisoner of the enemy during World War I, World War II, the Korean War, or the Vietnam War, or the spouse of a deceased former prisoner of war, shall be eligible for a former prisoner of war license plate by submitting written proof from the United States Department of Veterans Affairs or other appropriate federal agency stating the period of time the person or person's spouse was a prisoner of war. If a former prisoner of war dies with a vehicle licensed as authorized under this section, the person's surviving spouse may retain the license plate for use on the same vehicle or on another vehicle that complies with KRS 186.164(7).
- (5) A person who is certified by the Kentucky chapter of the Pearl Harbor Survivors Association as being a survivor of the attack on Pearl Harbor shall be eligible for a Pearl Harbor license plate and shall be required to attach to the special military-related license plate application written evidence from the Kentucky chapter of the Pearl Harbor Survivors Association that the person:
 - (a) Was a member of the United States Armed Forces on December 7, 1941;
 - (b) Was on station on December 7, 1941, during the hours of 7:55 a.m. to 9:45 a.m., Hawaii time, at Pearl Harbor, the island of Oahu, or offshore at a distance not to exceed three (3) miles;
 - (c) Was discharged honorably from the United States Armed Forces; and
 - (d) Is certified by the Kentucky chapter of the Pearl Harbor Survivors Association.
- (6) A person who is eligible to receive a Gold Star Mothers, Gold Star Fathers, or Gold Star Spouses license plate under KRS 186.164(16)(a)~~[(15)(a)]~~ may receive up to two (2) Gold Star Mothers, Gold Star Fathers, or Gold Star Spouses license plates free of charge and may purchase additional license plates by paying the same fee as for special military-related plates issued under KRS 186.162(2)(d) annually for vehicles he or she owns or leases.
- (7) The surviving spouse of a Purple Heart recipient, or a Kentucky National Guard member or a retired member, who possessed a vehicle licensed with the Purple Heart recipient special license plate or the Kentucky National Guard special license plate, may retain the license plate for use on the same vehicle or another vehicle that complies with KRS 186.164(7). The surviving spouse may renew the license plate indefinitely, provided the appropriate registration fee is paid annually.
- (8) A person who is attending or who is a graduate of the United States Air Force Academy, the United States Military Academy, the United States Naval Academy, the United States Coast Guard Academy, or the United States Merchant Marine Academy shall be eligible for a special military service academy license plate. A special military service academy license plate under this subsection shall use the same plate template as the standard special military license plate under subsection (1) of this section, with stickers to identify the various service academies. The Transportation Cabinet shall promulgate administrative regulations pursuant to KRS

Chapter 13A to establish the proof required to demonstrate current attendance at or graduation from a service academy. An eligible applicant may receive up to two (2) special military service academy license plates.

- (9) (a) The legally married spouse of a member of the Armed Forces of the United States who meets the criteria for a special military license plate under subsection (1) of this section shall be eligible for a special military license plate. A special military license plate under this subsection shall use the same template as the standard special military license plate under subsection (1) of this section, with a sticker identifying the plate as that of a military spouse.
- (b) An applicant who is eligible for a special military license plate under this subsection shall present as proof of eligibility an original or copy of his or her marriage certificate establishing marriage to the member of the Armed Forces of the United States and an original or copy of one (1) of the following:
1. His or her unexpired DD-1173 form; or
 2. Any identification document outlined in subsection (10) of this section issued to his or her spouse.
- (10) Prior to receiving a special military-related plate requested under subsection (1) of this section, the applicant shall present as proof of eligibility, an original or copy of his or her:
- (a) Unexpired Veteran Identification Card or Veteran Health Identification Card issued by the United States Department of Veterans Affairs;
 - (b) DD-2, DD-214, DD-256, DD-257, or NGB-22 form; or
 - (c) Unexpired Geneva Conventions Identification Card issued by the United States Department of Defense.

➔Section 102. KRS 186.166 is amended to read as follows:

- (1) The Transportation Cabinet shall, unless directed otherwise by the General Assembly, perpetually produce the following special license plates: military license plates, military unit license plates, U.S. Congressional license plates, firefighter license plates, emergency management license plates, Fraternal Order of Police license plates, Law Enforcement Memorial license plates, street rod license plates, nature license plates, amateur radio license plates, Kentucky General Assembly license plates, Kentucky Court of Justice license plates, Masonic Order license plates, collegiate license plates, independent college and university license plates, child victims' trust fund license plates, Kentucky Horse Council license plates, Ducks Unlimited license plates, Gold Star Mothers, Fathers, and Spouses license plates, Gold Star Siblings, Sons, and Daughters license plates, Silver Star Medal license plates, Legion of Merit Medal license plates, Bronze Star Medal license plates, Air Medal license plates, Distinguished Flying Cross license plates, Combat Action Badge license plates, Combat Infantry Badge license plates, POW/MIA Awareness license plates, spay neuter license plates, service academy license plates, Friends of Kentucky Agriculture license plates, and I Support Veterans license plates.
- (2) The design of the plates identified for perpetual production under this section may be revised upon request of a group or organization requesting a design revision under the provisions of KRS 186.164~~(16)~~~~(15)~~.
- (3) (a) The design of a Purple Heart license plate shall not include any representation of the word "Kentucky" that is a registered trademark or slogan which appears on a general issue license plate.
- (b) The design of a Purple Heart license plate shall include a representation of the Purple Heart medal and the words "Combat Wounded."

➔Section 103. KRS 143.022 is amended to read as follows:

- (1) A taxpayer engaged in severing or processing coal within this Commonwealth that has paid the tax imposed under KRS 143.020 may apply for a refund equal to the amount of tax paid under KRS 143.020 if the coal is transported directly to a market outside of *the United States of*~~North~~ America.
- (2) To apply for the refund allowed under subsection (1) of this section the taxpayer shall file an application for refund with the department and submit all information and documentation necessary to substantiate that the tax was paid upon the coal which was transported directly to a market outside of *the United States of*~~North~~ America.
- (3) The refund process allowed under subsection (1) of this section is available beginning on or after August 1, 2020, but before July 1, ~~2028~~~~2026~~, and limited during any calendar year to the export of a combined total of:
- (a) Ten million (10,000,000) tons of coal subject to the tax imposed under KRS 143.020 and exported through United States coal export terminals to markets outside of North America; *and*

- (b) *Two million five hundred thousand (2,500,000) tons of coal subject to the tax imposed under KRS 143.020 and exported through United States coal export terminals to markets outside of the United States of America and within North America.*
- (4) (a) *By November 1, 2026, and each November 1 thereafter as long a refund is issued under this section, the department shall report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue:*
1. *By destination:*
 - a. *The total tons of coal in which refunds were granted under subsection (3)(a) of this section for the taxable year; and*
 - b. *The total tons of coal in which refunds were granted under subsection (3)(b) of this section for the taxable year;*
 2. *By county:*
 - a. *The total number of refunds requested for the taxable year;*
 - b. *The total dollar amount of the refunds requested for the taxable year;*
 - c. *The total number of refunds issued for the taxable year; and*
 - d. *The total dollar amount of the refunds issued for the taxable year; and*
 3. *By taxpayer:*
 - a. *The name and location of the taxpayer requesting the refund as listed on the tax return; and*
 - b. *The total dollar amount of the refund issued for the taxable year.*
- (b) *The information required to be reported under this section 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.*

➔Section 104. KRS 278.130 is amended to read as follows:

- (1) For the purpose of maintaining the commission, including the payment of salaries and all other expenses, and the cost of regulation of the utilities subject to its jurisdiction, the Department of Revenue shall each year assess the utilities in proportion to their earnings or receipts derived from intrastate business in Kentucky for the preceding calendar year as modified by KRS 278.150, and shall notify each utility on or before July 1 of the amount assessed against it. The total amount ~~assessed~~ assessed shall ***be twenty-three hundredths of one percent (0.23%) of*** ~~not in any year exceed two (2) mills on~~ intrastate receipts as so modified, which shall be deposited into the State Treasury to the credit of the general fund. The sum by each utility shall not be less than fifty dollars (\$50) in any one (1) year.
- (2) The assessments provided for in this section shall be in lieu of all other fees or assessments levied by any city or other political subdivision for the control or regulation of utilities.
- (3) The commission, upon application by a utility, shall authorize the utility to adjust its rates to recover, within not more than one (1) year, any change in the annual assessment and any costs imposed by commission order for the fees and expenses of consultants. The application, and any hearing or other proceedings thereon, shall be limited to the amount of such adjustment.

➔Section 105. KRS 278.150 is amended to read as follows:

- (1) The commission shall, on or before June 1, certify to the Department of Revenue and the Finance and Administration Cabinet the amount of intrastate business of each utility in the state subject to its jurisdiction during the previous calendar year. The commission shall, when certifying the intrastate sales of retail electric suppliers, deduct from such sales one-half (1/2) of the applicable wholesale power costs, provided the utility from which such wholesale power purchases were made pays assessment on the full wholesale value of its gross intrastate sales in Kentucky. When certifying the intrastate sales of retail electric suppliers not subject to the jurisdiction of the commission for rates, the commission shall deduct one-half (1/2) of their actual intrastate sales. All utilities classified as retail electric suppliers shall pay assessments based on the amount of intrastate sales less deductions as certified by the commission.

- (2) ~~[The Finance and Administration Cabinet shall, on or before June 10, establish the assessment rate and give written notification thereof to the Department of Revenue and the commission.]~~ The Department of Revenue shall collect and pay the assessment into the State Treasury to the credit of the general expenditure fund. All such assessments shall be paid into the State Treasury through the Department of Revenue on or before July 31 of the year in which the assessments are made.
- (3) If any amount in the special fund for the maintenance of the commission remains unexpended at the end of any fiscal year, that amount shall not lapse, but shall remain credited to the account of the commission and may be used during any succeeding year.

➔Section 106. KRS 117.322 is amended to read as follows:

- (1) (a) Any candidate for any elected office whose appearance, action, or speech is altered through the use of synthetic media in an electioneering communication may seek injunctive or other equitable relief against the sponsor of the electioneering communication requiring that the communication includes a disclosure that is clear and conspicuous and included in, or alongside and associated with, the content in a manner that is likely to be noticed by the user.
- (b) The court may award a prevailing party reasonable attorney's fees and costs. This paragraph does not limit or preclude a plaintiff from securing or recovering any other available remedy.
- (2) In any action brought under subsection (1) of this section:
- (a) The plaintiff shall:
1. File in Circuit Court of the county in which he or she resides; and
 2. Bear the burden of establishing the use of synthetic media by clear and convincing evidence; and
- (b) The following shall not be liable except as provided in subsection (3) of this section:
1. The medium disseminating the electioneering communication; and
 2. An advertising sales representative of such medium.
- (3) Failure to comply with an order of the court to include the required disclosure herein shall be subject to the penalties set forth in KRS 121.990(3) for violation of KRS 121.190(1).
- (4) It is an affirmative defense for any action brought under subsection (1) of this section that the electioneering communication containing synthetic media includes a disclosure that is clear and conspicuous and included in, or alongside and associated with, the content in a manner that is likely to be noticed by the user.
- (5) Except when a licensee, programmer, or operator of a federally licensed broadcasting station transmits an electioneering communication that is subject to 47 U.S.C. sec. 315, a medium or its advertising sales representative may be held liable in a cause of action brought under subsection (1) of this section if:
- (a) The person intentionally removes any disclosure described in subsection (4) of this section from the electioneering communication it disseminates and does not remove the electioneering communication or replace the disclosure when notified; or
- (b) Subject to affirmative defenses described in subsection (4) of this section, the person *with intent to deceive or mislead* changes the content of an electioneering communication in a manner that results in it qualifying as synthetic media.
- (6) (a) A provider or user of an interactive computer service shall not be treated as the publisher or speaker of any information provided by another information content provider.
- (b) An interactive computer service may be held liable in accordance with subsection (3) of this section.
- (c) An interactive computer service shall be exempt as provided by the Communications Decency Act of 1996, as amended, 47 U.S.C. sec. 230.
- (7) Courts are encouraged to determine matters under this section expediently.

➔Section 107. 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)(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 public amenities.
- (b) "Approved public infrastructure costs" includes but is not limited to costs incurred for the following:
 1. Land preparation, including demolition and clearance work;
 2. Buildings;
 3. Sewers and storm drainage;
 4. Curbs, sidewalks, promenades, and pedways;
 5. Roads;
 6. Street lighting;
 7. The provision of utilities;
 8. Environmental remediation;
 9. Floodwalls and floodgates;
 10. Public spaces or parks;
 11. Parking;
 12. Easements and rights-of-way;
 13. Transportation facilities;
 14. Public landings;
 15. Amenities, including fountains, benches, and sculptures; and
 16. 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 ~~2048~~~~2026~~; and
 - (c) For projects approved prior to January 1, 2023;
- (23) "Modifier" means the result of:
- (a) *1. Dividing the individual income tax rate of five percent (5%), in effect as of December 31, 2022, by:*
 - 2. The individual income tax rate under KRS 141.020 for the calendar year in which the new revenues for income tax are being computed; and*
 - (b) *Subtracting from the result of paragraph (a) of this subsection the number one (1);*
 - (c) *Multiplying the result of paragraph (b) of this subsection by twenty-five percent (25%); and*
 - (d) *Adding to the result of paragraph (c) of this subsection the number one (1);*
- (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 108. KRS 132.380 is amended to read as follows:

- (1) (a) Before any person's name shall appear before the voters on election day as a candidate for the office of property valuation administrator in any primary or general election, except a current property valuation administrator already qualified as a candidate to succeed himself or herself in office, or before that person may be appointed property valuation administrator, except as an interim appointee as provided by KRS 132.375, that person shall hold a certificate issued by the department, showing that he or she has been examined by the department and is qualified for the office.
- (b) All certificates issued shall expire one (1) year from the date of issuance.
- (c) The examinations shall be written and formulated so as to test fairly the ability and fitness of the applicant to serve as property valuation administrator.
- (d) The department shall hold the examination at a central location during the month of November of each year immediately preceding each year in which property valuation administrators are to be elected.
- (e) The department shall, at least thirty (30) days prior to the examination, issue a statewide press release announcing the examination and post the announcement on the department's Web site.
- (f) Any person desiring to take an examination shall appear at the time and place designated.
- (2) (a) If, after the giving of the examination, as provided in subsection (1) of this section, there is no person qualified to be a candidate in the county, the department shall hold a second examination.
- (b) Applicants from only those counties having no person qualified shall be eligible to take the examination.
- (c) Notice of the second examination shall be made by issuing a press release in those counties and posting an announcement for the examination on the department's Web site at least fourteen (14) days prior to the second examination.
- (3) (a) If no qualified candidate files for the office, a special examination shall be given at a time determined by the department.
- (b) Notice of and registration for the special examination shall be provided in the same manner as provided in subsection (2) of this section.
- (4) (a) Whenever there is a vacancy in the office of property valuation administrator to be filled by appointment or by election, and there is not more than one (1) person holding a valid certificate and eligible for appointment or election, the department shall hold a special examination for applicants seeking a certificate for the office.
- (b) If, after the giving of a special examination, only one (1) person is qualified, the county judge/executive may request a second examination.
- (c) Notice of and registration for the special examination shall be provided in the same manner as provided by subsection (2) of this section.
- (5) (a) Examinations shall be given and graded in accordance with rules of the department published at the time of the examination.
- (b) Within ten (10) days after the examination, a certificate of fitness and qualification to fill the office of property valuation administrator shall be issued by the department to each person passing the examination.
- (6) ***Notwithstanding subsections (2) to (5) of this section, if there is not a qualified candidate for property valuation administrator of a county before the filing deadline for the primary election, the department shall continuously hold the examination until the earlier of:***

(a) *At least two (2) persons for that county are certified by the department; or*

(b) *Thirty (30) days prior to the certification of candidates for the regular election under KRS 118.215.*

- (7) Examination records shall be preserved by the department for twelve (12) months after the examination, and the record of any person who took the examination may be seen by him or her at the office of the department in Frankfort, Kentucky.

➔SECTION 109. A NEW SECTION OF KRS CHAPTER 211 IS CREATED TO READ AS FOLLOWS:

- (1) *There is hereby established in the State Treasury a restricted fund.*
- (2) *The fund shall consist of moneys received from donations, grants, gifts, state appropriations, and federal funds.*
- (3) *The fund shall be administered by the Department for Public Health.*
- (4) *Moneys in the fund shall remain in the fund until appropriated by the General Assembly.*
- (5) *Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal year shall not lapse but shall be carried forward to the next fiscal year.*

➔SECTION 110. A NEW SECTION OF KRS CHAPTER 194A IS CREATED TO READ AS FOLLOWS:

- (1) *There is hereby established in the State Treasury a restricted fund to be known as the out-of-home care program fund.*
- (2) *The fund shall consist of moneys received from donations, grants, gifts, state appropriations, and federal funds.*
- (3) *The fund shall be administered by the Department for Community Based Services.*
- (4) *Moneys in the fund shall remain in the fund until appropriated by the General Assembly.*
- (5) *Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal year shall not lapse but shall be carried forward to the next fiscal year.*

➔SECTION 111. A NEW SECTION OF KRS CHAPTER 224A IS CREATED TO READ AS FOLLOWS:

- (1) *There is hereby established in the State Treasury a revolving account to be known as the residential housing infrastructure fund. The fund shall consist of moneys received from state appropriations, gifts, grants, federal funds, and all repayment, interest or other return on the investment of fund dollars.*
- (2) *The fund shall be administered by the Kentucky Infrastructure Authority.*
- (3) *Amounts deposited in the fund shall be used for the purpose of making low interest loans to local governments for building, upgrading, renovation, or expansion of infrastructure owned, maintained, or operated by the local government seeking funding.*
- (4) *Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal year shall not lapse but shall be carried forward into the next fiscal year.*

➔Section 112. KRS 196.288 is amended to read as follows:

- ~~(1) The department shall measure and document cost savings resulting from amendments to or creation of statutes in KRS Chapters 27A, 196, 197, 431, 439, 532, 533, and 534 contained in 2011 Ky. Acts ch. 2. Measured and documented savings shall be reinvested or distributed as provided in this section.~~
- ~~(2) The department shall establish a baseline for measurement using the average number of inmates incarcerated at each type of penitentiary as defined in KRS 197.010 and at local jails in fiscal year 2010-2011.~~
- ~~(3) The department shall determine the average cost of:~~
- ~~(a) Incarceration for each type of penitentiary as defined in KRS 197.010 and for local jails, including health care costs, transportation costs, and other related costs, for one (1) inmate for one (1) year for the immediately preceding fiscal year;~~
- ~~(b) Providing probation and parole services for one (1) parolee for one (1) year for the immediately preceding fiscal year; and~~
- ~~(c) Reentry services and peer support as a condition of parole for those with opiate addiction and other substance abuse disorders.~~

- (4) ~~Beginning with the budget request for the 2012-2014 fiscal biennium, savings shall be estimated from the baseline established in subsection (2) of this section as follows:~~
- (a) ~~The estimated average reduction of inmates due to mandatory reentry supervision as required by KRS 439.3406 multiplied by the appropriate average cost as determined in subsection (3)(a) of this section;~~
 - (b) ~~The estimated average reduction of inmates due to accelerated parole hearings as required by KRS 439.340 multiplied by the appropriate average cost as determined in subsection (3)(a) of this section;~~
 - (c) ~~The estimated average increase of parolees due to paragraphs (a) and (b) of this subsection multiplied by the average cost as determined in subsection (3)(b) of this section; and~~
 - (d) ~~The estimated average reduction of parolees due to parole credit for good behavior as provided in KRS 439.345 multiplied by the average cost as determined in subsection (3)(b) of this section.~~
- (5) ~~Beginning in fiscal year 2026-2027, the following amounts shall be allocated or distributed by the secretary of the Justice Cabinet from the estimated amount of savings that would otherwise remain in the general fund:~~
- (1) ~~(a)~~ **Four million six hundred thirty thousand two hundred dollars (\$4,630,200)** ~~Twenty-five percent (25%)~~ shall be distributed to the local corrections assistance fund established by KRS 441.207;
 - (2) ~~(b)~~ **Sixteen million three hundred eighty-three thousand five hundred dollars (\$16,383,500)** ~~Fifty percent (50%)~~ shall be distributed for the following purposes:
 - (a) ~~1-~~ To the department to provide or to contract for the provision of substance abuse treatment in county jails, regional jails, or other local detention centers that employ evidence-based practices in behavioral health treatment or medically assisted treatment for nonstate inmates with opiate addiction or other substance abuse disorders;
 - (b) ~~2-~~ For KY-ASAP programs operating under KRS Chapter 15A in county jails or in facilities under the supervision of county jails that employ evidence-based behavioral health treatment or medically assisted treatment for inmates with opiate addiction or other substance abuse disorders;
 - (c) ~~3-~~ To KY-ASAP to provide supplemental grant funding to community mental health centers for the purpose of offering additional substance abuse treatment resources through programs that employ evidence-based behavioral health treatment or medically assisted treatment;
 - (d) ~~4-~~ To KY-ASAP to address neonatal abstinence syndrome by providing supplemental grant funding to community substance abuse treatment providers to offer residential treatment services to pregnant women through programs that employ evidence-based behavioral health treatment or medically assisted treatment;
 - (e) ~~5-~~ To provide supplemental funding for traditional KY-ASAP substance abuse programming under KRS Chapter 15A;
 - (f) ~~6-~~ To the department for the purchase of FDA-approved medication-assisted treatment products as a component of evidence-based treatment for inmates with opioid dependence, opioid use disorder, or other substance abuse disorders, for use in substance abuse treatment programs operated or supervised by the department. In purchasing such FDA-approved products, the department shall consider products and treatments that may minimize the risk of diversion;
 - (g) ~~7-~~ To the Department of Public Advocacy to provide supplemental funding to the Social Worker Program for the purpose of creating additional social worker positions to develop individualized alternative sentencing plans; and
 - (h) ~~8-~~ To the Prosecutors Advisory Council to enhance the use of rocket docket prosecutions in controlled substance cases; ~~and~~
 - (c) ~~In enacting the budget for the department and the judicial branch, beginning in the 2012-2014 fiscal biennium and each fiscal biennium thereafter, the General Assembly shall:~~
 - 1. ~~Determine the estimated amount necessary for reinvestment in:~~
 - a. ~~Expanded treatment programs and expanded probation and parole services provided by or through the department; and~~

- ~~b. Additional pretrial services and drug court case specialists provided by or through the Administrative Office of the Courts; and~~
- ~~2. Shall allocate and appropriate sufficient amounts to fully fund these reinvestment programs.~~
- ~~(6) The amount of savings shall be estimated each year of the 2012-2014 fiscal biennium, and for each year of each fiscal biennium thereafter, as specified in subsection (4) of this section.~~
- ~~(7) (a) In submitting its budget request for the 2012-2014 fiscal biennium and each fiscal biennium thereafter, the department shall estimate the amount of savings measured under this section and shall request the amount necessary to distribute or allocate those savings as provided in subsection (5) of this section.~~
- ~~(b) In submitting its budget request for the 2012-2014 fiscal biennium and each fiscal biennium thereafter, the judicial branch shall request the amount necessary to distribute or allocate those savings as provided in subsection (5) of this section.~~

➔ Section 113. KRS 441.207 is amended to read as follows:

- (1) The local corrections assistance fund is created as a separate revolving fund to be administered by the department. The fund shall consist of amounts transferred to the fund pursuant to KRS 196.288, along with any other proceeds from grants, contributions, appropriations, or other moneys made available for purposes of the fund.
- (2) Notwithstanding KRS 45.229, amounts not expended at the close of a fiscal year shall not lapse but shall be carried forward to the next fiscal year.
- (3) Any interest earnings from the fund shall become a part of the fund and shall not lapse.
- (4) *Moneys in the fund shall be distributed to the counties each year. Amounts distributed from the fund shall be used to support local correctional facilities and programs, including the transportation of prisoners, as follows:*
 - (a) *In each fiscal year, the first \$3,000,000 received by the fund, or, if the fund receives less than \$3,000,000, the entire balance of the fund, shall be divided equally among all counties; and*
 - (b) *Any moneys remaining after making the distributions required by paragraph (a) of this subsection shall be distributed to each county based on a ratio, the numerator of which shall be the county's county inmate population on the second Thursday in January during the prior fiscal year, and the denominator of which shall be the total counties' county inmate population for the entire state on the second Thursday in January during the prior fiscal year.*~~[Moneys in the fund shall accrue to the fund and shall be retained in the fund until the General Assembly establishes a statutory process and method for distributing the funds to local correctional facilities and programs].~~

➔ Section 114. KRS 217.2202 is amended to read as follows:

A kratom processor or kratom retailer shall not:

- (1) Distribute, dispense, sell, or make available for sale any *kratom*, kratom extract, or kratom product ~~to an individual who is under twenty-one (21) years of age~~; or
- (2) Prepare, manufacture, distribute, dispense, sell, or make available for sale any *kratom*, kratom extract, or kratom product ~~that~~:
 - ~~(a) Is adulterated with a dangerous nonkratom substance that affects the quality or strength of the kratom extract or kratom product to such a degree that it may injure a consumer;~~
 - ~~(b) Contains a poisonous or otherwise harmful nonkratom ingredient, including but not limited to any controlled substance as defined in KRS Chapter 218A;~~
 - ~~(c) Contains a level of 7-hydroxymitragynine in the alkaloid fraction that is greater than two percent (2%) of the overall alkaloid composition of the product;~~
 - ~~(d) Contains any synthetic alkaloid, including synthetic mitragynine, synthetic 7-hydroxymitragynine, or any other synthetically derived compound of the plant *Mitragyna speciosa*;~~
 - ~~(e) Contains levels of residual solvents higher than those permitted under the United States Pharmacopeia Chapter 467; or~~

(f) ~~Does not meet the labeling requirements established pursuant to KRS 217.2203 or any administrative regulation promulgated thereunder.~~

➔ Section 115. KRS 217.2207 is amended to read as follows:

A kratom processor or kratom retailer who violates KRS 217.2202 ~~for 217.2203 or any administrative regulation promulgated thereunder~~ shall be subject to a civil penalty of not more than five ~~thousand~~~~hundred~~ **thousand** dollars ~~(\$5,000)~~~~(\$500)~~ for a first offense and not more than ~~ten~~~~one~~ **thousand** dollars ~~(\$10,000)~~~~(\$1,000)~~ for a second or subsequent offense.

➔ Section 116. KRS 139.495 is amended to read as follows:

(1) *As used in this section:*

(a) *"Educational or charitable institution" means*~~The taxes imposed by this chapter shall apply to:~~

1.~~(a)~~ A resident, nonprofit educational ~~or~~~~charitable~~~~or religious~~ **institution that has**~~institutions which have~~ qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; ~~or~~~~and~~

2.~~(b)~~ Any resident, single member limited liability company that is:

a.~~(1)~~ Wholly owned and controlled by a resident or nonresident, nonprofit educational ~~or~~~~charitable~~~~or religious~~ **institution that**~~which~~ has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; and

b.~~(2)~~ Disregarded as an entity separate from the resident or nonresident, nonprofit educational ~~or~~~~charitable~~~~or religious~~ **institution for federal income tax purposes pursuant to 26 C.F.R. sec. 301.7701-2; and**

(b) *"Religious institution" means:*

1. *A resident nonprofit religious institution that has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code;*

2. *Any resident, single member limited liability company that is:*

a. *Wholly owned and controlled by a resident or nonresident, nonprofit religious institution that has qualified for exemption from income taxation under Section 501(c)(3) of the Internal Revenue Code; and*

b. *Disregarded as an entity separate from the resident or nonresident, nonprofit religious institution for federal income tax purposes pursuant to 26 C.F.R. sec. 301.7701-2; or*

3. *A resident nonprofit religious institution that has chosen not to apply to the Internal Revenue Service for a Section 501(c)(3) designation but would otherwise qualify for that designation by demonstrating that the institution has:*

a. *A recognized creed and form of worship;*

b. *A distinct religious history;*

c. *Ordained minister that ministers to the congregation of believers;*

d. *An established place of worship where worship services are held in the same location on a regular basis;*

e. *A congregation of who regularly attend worship services; and*

f. *Regularly scheduled and promoted religious services for the public to attend*~~as provided in this section.~~

~~as provided in this section.~~

(2) (a) *For educational or charitable institutions, except as provided in paragraph (b) of this subsection, the taxes imposed by this chapter do*~~Tax does~~ *not apply to any of the following:*

1. *Purchases*~~Sales~~ *of tangible personal property, digital property, or services made by*~~to~~ *these institutions*~~or limited liability companies described in subsection (1) of this section~~, provided the tangible personal property, digital property, or service is to be used solely in this state within the educational ~~or~~~~charitable~~~~or religious~~ function;

2. Sales of food to students in school cafeterias or lunchrooms;
 3. Sales by school bookstores of textbooks, workbooks, and other course materials;
 4. Sales by nonprofit, school sponsored clubs and organizations, provided ~~the~~ such sales do not include tickets for athletic events;
 5. Sales of admissions, including the sales of admissions to a golf course when the admission is the result of a fundraising event, by ~~nonprofit~~ educational ~~or~~ charitable ~~or religious~~ institutions ~~described in subsection (1) of this section~~. All other sales of admissions to a golf course by these institutions are not exempt from tax under this section; or
 6.
 - a. Fundraising event sales made by ~~nonprofit~~ educational ~~or~~ charitable ~~or religious~~ institutions ~~and limited liability companies described in subsection (1) of this section~~.
 - b. *As used in* ~~For the purposes of~~ this subparagraph, "fundraising event sales" does not include sales related to the operation of a retail business, including but not limited to thrift stores, bookstores, surplus property auctions, recycle and reuse stores, or any ongoing operations in competition with for-profit retailers.
- (b) The exemptions provided in subparagraphs 5. and 6. of paragraph (a) of this subsection shall not apply to sales generated by or arising at a tourism development project approved under KRS 148.851 to 148.860.
- (3) (a) *An educational or charitable* ~~An~~ institution shall be entitled to a refund equal to twenty-five percent (25%) of the tax collected on its sale of donated goods if the refund is used exclusively as reimbursement for capital construction costs of additional retail locations in this state, provided the institution:
1. ~~(a)~~ Routinely sells donated items;
 2. ~~(b)~~ Provides job training and employment to individuals with workplace disadvantages and disabilities;
 3. ~~(c)~~ Spends at least seventy-five percent (75%) of its annual revenue on job training, job placement, or other related community services;
 4. ~~(d)~~ Submits a refund application to the department within sixty (60) days after the new retail location opens for business; and
 5. ~~(e)~~ Provides records of capital construction costs for the new retail location and any other information the department deems necessary to process the refund.
- The maximum refund allowed for any location shall not exceed one million dollars (\$1,000,000).
- (b) As used in this subsection, "capital construction cost":
1. Means the cost of construction of any new facilities or the purchase and renovation of any existing facilities; ~~and~~ ~~but~~
 2. Does not include the cost of real property other than real property designated as a brownfield site as defined in KRS 65.680(4).
- (4) Notwithstanding any other provision of law to the contrary, refunds under subsection (3) of this section shall be made directly to the institution. Interest shall not be allowed or paid on the refund. The department may examine any refund within four (4) years from the date the refund application is received. Any overpayment shall be subject to the interest provisions of KRS 131.183 and the penalty provisions of KRS 131.180.
- (5) All other sales made by ~~nonprofit~~ educational ~~or~~ charitable ~~or religious~~ institutions ~~or limited liability companies described in subsection (1) of this section~~ are taxable and the tax may be passed on to the purchaser as provided in KRS 139.210.
- (6) *For religious institutions, the taxes imposed by this chapter do not apply to any of the following:*
- (a) *Sales of tangible personal property, digital property, or services made by a religious institution, provided the tangible personal property, digital property, or service is sold in this state within the religious function; or*

- (b) *Purchases of tangible personal property, digital property, or services made by a religious institution, provided the tangible personal property, digital property, or service is to be used solely in this state within the religious function.*

➔Section 117. KRS 132.195 is amended to read as follows:

- (1) When any real or personal property which is exempt from taxation is leased or possession is otherwise transferred to a natural person, association, partnership, or corporation in connection with a business conducted for profit, the leasehold or other interest in the property shall be subject to state and local taxation at the rate applicable to real or personal property levied by each taxing jurisdiction.
- (2) Subsection (1) of this section shall not apply to interests in:
 - (a) Industrial buildings, as defined under KRS 103.200, owned and financed by a tax-exempt governmental unit or tax-exempt statutory authority under the provisions of KRS Chapter 103, the taxation of which is provided for under the provisions of KRS 132.020 and 132.200;
 - (b) Federal property for which payments are made in lieu of taxes in amounts equivalent to taxes which might otherwise be lawfully assessed;
 - (c) Property of any state-supported educational institution;
 - (d) Vending stand locations and facilities operated by blind persons under the auspices of the Division of Kentucky Business Enterprise, regardless of whether the property is owned by the federal, state, or a local government;
 - (e) Property of any free public library;
 - (f) Property in Fayette County, Kentucky, administered by the Department of Military Affairs, Bluegrass Station Division;
 - (g) All privately owned leasehold interests in residential property when the residential property is owned in fee simple by a purely public charity as of July 1, 2020:
 1. When the real property includes a residential property unit that is:
 - a. Leased by the purely public charity for a period of at least one (1) year to an individual person who is fifty-five (55) years of age or older;
 - b. Maintained as the individual person's permanent residence under a lease agreement that:
 - i. Prohibits the lessee from subleasing the unit; and
 - ii. Provides that the lessee's possessory interest in the unit is terminable by the lessor upon the death of the lessee, the physical or mental inability of the lessee to continue to reside in the unit, or the lessee's relocation to a nursing home or similar assisted living facility; and
 - c. Constructed on or before July 1, 2020, or constructed after July 1, 2020, on land that was privately owned in fee simple by the purely public charity on or before July 1, 2020;
 2. If the fee simple ownership is transferred by the purely public charity after July 1, 2020, it shall be transferred to another purely public charity and the requirements established for the residential property unit in subparagraph 1. of this paragraph shall be maintained; and
 3. The taxation of which is provided for under KRS 132.020 and 132.200;~~[-or-]~~
 - (h) All privately owned leasehold interests in residential property owned in fee simple by a purely public charity, which is exempt from ad valorem taxation under Kentucky Constitution Section 170, when the residential property unit is leased by the purely public charity to an individual person who is:
 1. Receiving medical or educational supportive services from the purely public charity; and
 2.
 - a. A postsecondary educational participant;
 - b. A minor;
 - c. Sick, disabled, or impoverished; or
 - d. Over the age of sixty-five (65);

- (i) *Public-private partnership projects or property developed, acquired, or leased in accordance with KRS 45A.077 or 65.028; or*
- (j) *Real property owned by the Kentucky Housing Corporation under KRS Chapter 198A:*
 - 1. *That is acquired and leased in connection with an activity, including new construction, that would result in an increase of forty-eight (48) units or more to the stock of residential multifamily housing;*
 - 2. *Subject to an extended use agreement in favor of the Kentucky Housing Corporation; and*
 - 3. *The county judge/executive and the mayor of the applicable political subdivisions have provided written consent of the acquisition and lease.*

- (3) Taxes shall be assessed to lessees of exempt real or personal property and collected in the same manner as taxes assessed to owners of other real or personal property, except that taxes due under this section shall not become a lien against the property. When due, such taxes shall constitute a debt due from the lessee to the state, county, school district, special district, or urban-county government for which the taxes were assessed and if unpaid shall be recoverable by the state as provided in KRS Chapter 134.

➔Section 118. 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:
 - 1. Is created within an existing development area; *and*
 - 2. *Exists for a period of thirty (30) years, and may be extended for a period not to exceed an additional twenty-five (25) years to accommodate the pilot program term permitted pursuant to KRS 65.4931.*

- (2) The provisions of KRS 65.490 to 65.499 shall apply only to:

- (a) Existing development areas; and
- (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:
 - a. Ten percent (10%) of the increment be paid to the agency for which the existing development area was established;
 - b. *Eighty percent (80%) of the increment be paid to the developer of the new development area; and*
 - c. *Ten percent (10%) shall be retained by the Commonwealth or local government, as applicable;*
 - 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 Kentucky Economic Development Finance Authority*~~[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; **and**

5. Any negotiation or agreement made related to an existing development area or a new development area shall be approved by the Kentucky Economic Development Finance Authority.

➔Section 119. KRS 141.438 is amended to read as follows:

- (1) For taxable years beginning on or after January 1, 2011, there is hereby established the Endow Kentucky tax credit.
- (2) A taxpayer providing an endowment gift to a permanent endowment fund of a qualified community foundation, or county-specific component fund, or affiliate community foundation, which has been certified under KRS 147A.325, and meeting the requirements of subsection (7) of this section, may claim a credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401. The ordering of the credit shall be as provided in KRS 141.0205.
- (3) The credit shall be equal to twenty percent (20%) of the value of the endowment gift provided by the taxpayer, not to exceed ten thousand dollars (\$10,000).
- (4) The credit shall be nonrefundable, but any amount of credit that a taxpayer is not able to utilize during a particular taxable year may be carried forward for use in a subsequent taxable year, for a period not to exceed five (5) years.
- (5) No tax credit claimed under this section may be sold or transferred. If the taxpayer is a pass-through entity not subject to tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of the income of the pass-through entity.
- (6) The total amount of tax credit that may be awarded under this section shall be limited to:
 - (a) Five hundred thousand dollars (\$500,000) in each fiscal year beginning on or before July 1, 2015;~~and~~
 - (b) One million dollars (\$1,000,000) in each fiscal year beginning on or after July 1, 2016, **and prior to July 1, 2026; and**~~and~~
 - (c) **Two million dollars (\$2,000,000) in each fiscal year beginning on or after July 1, 2026.**
- (7) A taxpayer pursuing a tax credit under this section shall:
 - (a) File an application for preliminary authorization of the tax credit with the department;
 - (b) After receiving preliminary authorization from the department, provide an endowment gift to a qualified community foundation, county-specific component fund, or affiliate community foundation which has been certified under KRS 147A.325 within thirty (30) days of the date of the notice of authorization for the tax credit from the department; and
 - (c) Within ten (10) days of making the gift, report to the department proof of the endowment gift.
- (8) (a) The department shall:
 - 1. Create the application required to be filed by the taxpayer seeking preliminary approval for the tax credit; and
 - 2. Publish on its Web site the amount of total credit allocated to date, the date the last processed application for preliminary approval was received, and the remaining credit available.
 - (b) 1. Upon receipt of an application for preliminary approval submitted under subsection (7) of this section, the department shall review the application and, if approved, the department shall issue a notice of preliminary approval to the requesting taxpayer.
 - 2. The notice of preliminary approval shall include the amount of credit, shall notify the taxpayer that the proposed gift must be made within thirty (30) days of the date reflected on the notice of authorization, and that the taxpayer must notify the department that the gift has been made, in the form and format determined by the department, within ten (10) days of making the gift.

3. Upon preliminary approval of an application for credit, the department shall reduce the outstanding available credit cap amount to reflect the preliminary approved credit.
- (c) Upon timely receipt of notification from a taxpayer preliminarily approved for a credit that the investment has been timely made, the department shall verify the information provided and, if the information is accurate, the department shall issue a final tax credit letter to the taxpayer.
- (d) If a taxpayer fails to make the required investment or provide proof of the investment to the department within the time frames established by this subsection and subsection (7) of this section, the department shall void the preliminary approval and shall restore the allocated amounts to the tax credit cap.

➔Section 120. KRS 278.010 is amended to read as follows:

As used in KRS 278.010 to 278.450, 278.541 to 278.544, 278.546 to 278.5462, and 278.990, unless the context otherwise requires:

- (1) "Corporation" includes private, quasipublic, and public corporations, and all boards, agencies, and instrumentalities thereof, associations, joint-stock companies, and business trusts;
- (2) "Person" includes natural persons, partnerships, corporations, and two (2) or more persons having a joint or common interest;
- (3) "Utility" means any person except a regional wastewater commission established pursuant to KRS 65.8905 and, for purposes of paragraphs (a), (b), (c), (d), and (f) of this subsection, a city *or a municipal interlocal gas utility*, who owns, controls, operates, or manages any facility used or to be used for or in connection with:
 - (a) The generation, production, transmission, or distribution of electricity to or for the public, for compensation, for lights, heat, power, or other uses;
 - (b) The production, manufacture, storage, distribution, sale, or furnishing of natural or manufactured gas, or a mixture of same, to or for the public, for compensation, for light, heat, power, or other uses;
 - (c) The transporting or conveying of gas, crude oil, or other fluid substance by pipeline to or for the public, for compensation;
 - (d) The diverting, developing, pumping, impounding, distributing, or furnishing of water to or for the public, for compensation;
 - (e) The transmission or conveyance over wire, in air, or otherwise, of any message by telephone or telegraph for the public, for compensation; or
 - (f) The collection, transmission, or treatment of sewage for the public, for compensation, if the facility is a subdivision collection, transmission, or treatment facility plant that is affixed to real property and is located in a county containing a city of the first class or is a sewage collection, transmission, or treatment facility that is affixed to real property, that is located in any other county, and that is not subject to regulation by a metropolitan sewer district or any sanitation district created pursuant to KRS Chapter 220;
- (4) "Retail electric supplier" means any person, firm, corporation, association, or cooperative corporation, excluding municipal corporations, engaged in the furnishing of retail electric service;
- (5) "Certified territory" shall mean the areas as certified by and pursuant to KRS 278.017;
- (6) "Existing distribution line" shall mean an electric line which on June 16, 1972, is being or has been substantially used to supply retail electric service and includes all lines from the distribution substation to the electric consuming facility but does not include any transmission facilities used primarily to transfer energy in bulk;
- (7) "Retail electric service" means electric service furnished to a consumer for ultimate consumption, but does not include wholesale electric energy furnished by an electric supplier to another electric supplier for resale;
- (8) "Electric-consuming facilities" means everything that utilizes electric energy from a central station source;
- (9) "Generation and transmission cooperative" or "G&T" means a utility formed under KRS Chapter 279 that provides electric generation and transmission services;
- (10) "Distribution cooperative" means a utility formed under KRS Chapter 279 that provides retail electric service;

- (11) "Facility" includes all property, means, and instrumentalities owned, operated, leased, licensed, used, furnished, or supplied for, by, or in connection with the business of any utility;
- (12) "Rate" means any individual or joint fare, toll, charge, rental, or other compensation for service rendered or to be rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof;
- (13) "Service" includes any practice or requirement in any way relating to the service of any utility, including the voltage of electricity, the heat units and pressure of gas, the purity, pressure, and quantity of water, and in general the quality, quantity, and pressure of any commodity or product used or to be used for or in connection with the business of any utility, but does not include Voice over Internet Protocol (VoIP) service;
- (14) "Adequate service" means having sufficient capacity to meet the maximum estimated requirements of the customer to be served during the year following the commencement of permanent service and to meet the maximum estimated requirements of other actual customers to be supplied from the same lines or facilities during such year and to assure such customers of reasonable continuity of service;
- (15) "Commission" means the Public Service Commission of Kentucky;
- (16) "Commissioner" means one (1) of the members of the commission;
- (17) "Demand-side management" means any conservation, load management, or other utility activity intended to influence the level or pattern of customer usage or demand, including home energy assistance programs;
- (18) "Affiliate" means a person that controls or that is controlled by, or is under common control with, a utility;
- (19) "Control" means the power to direct the management or policies of a person through ownership, by contract, or otherwise;
- (20) "CAM" means a cost allocation manual which is an indexed compilation and documentation of a company's cost allocation policies and related procedures;
- (21) "Nonregulated activity" means the provision of competitive retail gas or electric services or other products or services over which the commission exerts no regulatory authority;
- (22) "Nonregulated" means that which is not subject to regulation by the commission;
- (23) "Regulated activity" means a service provided by a utility or other person, the rates and charges of which are regulated by the commission;
- (24) "USoA" means uniform system of accounts which is a system of accounts for public utilities established by the FERC and adopted by the commission;
- (25) "Arm's length" means the standard of conduct under which unrelated parties, each party acting in its own best interest, would negotiate and carry out a particular transaction;
- (26) "Subsidize" means the recovery of costs or the transfer of value from one (1) class of customer, activity, or business unit that is attributable to another;
- (27) "Solicit" means to engage in or offer for sale a good or service, either directly or indirectly and irrespective of place or audience;
- (28) "USDA" means the United States Department of Agriculture;
- (29) "FERC" means the Federal Energy Regulatory Commission;
- (30) "SEC" means the Securities and Exchange Commission;
- (31) "Commercial mobile radio services" has the same meaning as in 47 C.F.R. sec. 20.3 and includes the term "wireless" and service provided by any wireless real time two (2) way voice communication device, including radio-telephone communications used in cellular telephone service, personal communications service, and the functional or competitive equivalent of a radio-telephone communications line used in cellular telephone service, a personal communications service, or a network radio access line;~~and~~
- (32) "Voice over Internet Protocol" or "VoIP" has the same meaning as in federal law; *and*
- (33) *"Municipal interlocal gas utility" has the same meaning as in Section 121 of this Act.*

➔Section 121. KRS 65.230 is amended to read as follows:

As used in KRS 65.210 to 65.300, unless the context otherwise requires:

- (1) "Interlocal agency" means a separate legal or administrative entity with a governing board that is created in an agreement entered into by public agencies pursuant to the provisions of KRS 65.210 to 65.300;
- (2) "Local government" means any:
 - (a) City;
 - (b) County;
 - (c) Consolidated local government;
 - (d) Urban-county government;
 - (e) Charter county government; or
 - (f) Unified local government;
- (3) ***"Municipal interlocal gas utility" means an interlocal agency whose membership is only composed of city governments formed for the purpose of constructing and operating a system that is capable of acquiring, distributing, transmitting, furnishing, or selling natural gas to a federal military installation, municipal utilities, and other industrial and commercial customers; and***
- (4) "Public agency" means:
 - (a) Any local government;
 - (b) Any political subdivision of this state or of another state;
 - (c) Any agency, board instrumentality, or commission created by a local government;
 - (d) Any taxing district as defined by KRS 65.180;
 - (e) Any special purpose government entity as defined in KRS 65A.010(9)(a) to (c), including those entities that are exempt from the definition of special purpose governmental entity under the provisions of KRS 65A.010(9)(d)7. to 9.;
 - (f) Any interlocal agency;
 - (g) The Commonwealth or any agency or instrumentality of the state government or of the United States, including but not limited to a state-supported institution of higher education;
 - (h) Any county school district or independent school district; and
 - (i) Any private institution of higher education entering into an agreement authorized by KRS 65.240(4) with another public agency.

➔SECTION 122. A NEW SECTION OF KRS 65.210 TO 65.300 IS CREATED TO READ AS FOLLOWS:

- (1) (a) ***In addition to the city government members that form a municipal interlocal gas utility, the governing body of a municipal interlocal gas utility shall include one (1) nonmember ex officio representative of each county and city government in the Commonwealth that:***
 1. ***Is served by the municipal interlocal gas utility;***
 2. ***Contains any infrastructure used by the municipal interlocal gas utility to provide natural gas utility service;***
 3. ***Contains any easements or rights-of-way used by the municipal interlocal gas utility to provide natural gas utility service; or***
 4. ***Contains any land for which the municipal interlocal gas utility has requested an easement or right-of-way that will be used to provide natural gas utility service.***
- (b) ***The county judge/executive of a county described in paragraph (a) of this subsection shall select one (1) county representative for the municipal interlocal gas utility governing body and the mayor of a city described in paragraph (a) of this subsection shall select one (1) city representative. Representatives selected under this paragraph shall not vote on any matter before the municipal interlocal gas utility except as provided in paragraph (c) of this subsection.***

- (c) *For any proposed municipal interlocal gas utility action directly impacting an unincorporated area of any county represented on the governing body, county representatives may, if every county representative on the governing body votes unanimously for the same outcome, cast a single combined vote to be counted with the votes of the member city governments on whether the municipal interlocal gas utility may undertake the action.*
- (2) *A municipal interlocal gas utility shall not provide natural gas utility service to a residential customer except:*
- (a) *As provided in KRS 278.485, in which case the natural gas utility service shall be furnished at rates and minimum monthly charges as determined by the Public Service Commission as required by KRS 278.485(1); and*
- (b) *A municipal interlocal gas utility may furnish natural gas to a municipal utility that provides natural gas utility service to residential customers.*

➔Section 123. KRS 65.240 is amended to read as follows:

- (1) Any powers, privileges, or authorities exercised or capable of exercise by a public agency of this state may be exercised and enjoyed jointly with any other public agency of this state, and jointly with any public agency of any other state or of the United States to the extent that the laws of the United States permit such joint exercise or enjoyment. Any agency of the state government when acting jointly with any public agency may exercise and enjoy all of the powers, privileges and authority conferred by KRS 65.210 to 65.300 upon a public agency.
- (2) Any two (2) or more public agencies may enter into agreements with one another for joint or cooperative action pursuant to the provisions of KRS 65.210 to 65.300, including but not limited to for the sharing of revenues and physical assets. Appropriate action by ordinance, resolution or otherwise pursuant to law, of the governing bodies of the participating public agencies shall be necessary before any such agreement may enter into force.
- (3) Any public agency may enter into agreements with another public agency or agencies pursuant to KRS 65.210 to 65.300 to acquire by purchase or lease, any real or personal property, or any interest, right, easement, or privilege therein, outside of its municipal or jurisdictional boundaries, in connection with the acquisition, construction, operation, repair, or maintenance of any water, sewage, wastewater, **natural gas**, or storm water facilities, notwithstanding any other provision of the Kentucky Revised Statutes restricting, qualifying, or limiting their authority to do so, except as set forth in KRS Chapter 278.
- (4) A private institution of higher education and one (1) or more county school districts or independent school districts may enter into agreements under KRS 65.210 to 65.300 for the purposes of establishing and operating a program or facility, including a center for child learning and study, designed to help one (1) or more schools meet the goals set out in KRS 158.6451, or for the investment of funds if the Attorney General determines that the proposal is compatible with the United States Constitution as part of the review of the agreement provided in KRS 65.260(2), notwithstanding any other provision of the statutes restricting, qualifying or limiting their authority to do so.

➔Section 124. KRS 96.5375 is amended to read as follows:

- (1) Subject to the limitations of subsection (4) of this section and KRS 96.045 and 96.538, any city that owns and operates a municipal system for the acquisition, distribution, or transmission of natural gas may extend the system **or construct a new system as authorized in KRS 96.170 and 96.542, to** ~~into and~~ furnish and sell natural gas to any person or entity within the boundaries of the city or within any territory outside of the city's boundaries. **Municipal interlocal gas utilities shall have the same authority to extend existing natural gas systems or construct new systems to furnish and sell natural gas in territory inside or outside of their constituent cities' boundaries.** In exercising the authority provided by this subsection, the city may install the necessary apparatus to provide natural gas distribution or transmission service and may also condemn or otherwise acquire rights-of-way as private utilities may do. The provisions of this subsection shall apply to all cities of this Commonwealth transporting or distributing natural gas as well as any board, commission, or agency thereof.
- (2) A city, other than a city of the first class or a consolidated local government, may acquire the entire plant of an existing natural gas distribution system only under the same process and subject to the same limitations established by KRS 96.580, 96.590, and 96.600.

- (3) No property owned or operated by an existing natural gas distribution system located within the Commonwealth may be condemned by a city from another state.
- (4) A natural gas utility, which, for purposes of this subsection, means a public, private or municipally owned gas utility distributing or transporting natural gas to customers within this Commonwealth, shall not:
 - (a) Extend its system for the purposes of furnishing or selling natural gas to any person or entity that is currently being served by another natural gas utility; or
 - (b) Extend its system to furnish or sell natural gas to any person or entity when there is another natural gas utility in closer proximity to the person or entity to be served, unless the natural gas utility in closer proximity has declined to provide service.
- (5) The provisions of subsection (4) of this section shall only apply to extension of service issues between a municipally owned natural gas utility servicing customers located outside its municipal boundaries and a private or investor-owned natural gas utility. The term "municipally owned" shall include systems distributing or transporting natural gas that are owned by a city from another state.
- (6) *As used in this section, "municipal interlocal gas utility" has the same meaning as in Section 121 of this Act.*

➔Section 125. KRS 164.2847 is amended to read as follows:

- (1) Tuition and mandatory student fees for any undergraduate or graduate program of any Kentucky public postsecondary institution, including all four (4) year universities and colleges and institutions of the Kentucky Community and Technical College System, shall be waived for a Kentucky foster or adopted child who is a full-time or part-time student if the student meets all entrance requirements and maintains academic eligibility while enrolled at the postsecondary institution, and if:
 - (a) The student's family receives state-funded adoption assistance under KRS 199.555;
 - (b) The student is currently committed to the Cabinet for Health and Family Services under KRS 610.010(5) and placed in a family foster home or is placed in accordance with KRS 605.090(3);
 - (c) The student is in an independent living program and the placement is funded by the Cabinet for Health and Family Services;
 - (d) The student who is an adopted child was in the permanent legal custody of and placed for adoption by the Cabinet for Health and Family Services. A student who meets the eligibility criteria of this paragraph and lives outside of Kentucky at the time of application to a Kentucky postsecondary institution may apply for the waiver up to the amount of tuition for a Kentucky resident;~~or~~
 - (e) The Cabinet for Health and Family Services was the student's legal custodian on his or her eighteenth birthday; *or*
 - (f) *The student was adjudicated dependent, neglected, or abused under KRS Chapter 620, removed from parental custody, and subsequently adopted by a relative.*
- (2) Tuition and mandatory student fees for any undergraduate program of any Kentucky public postsecondary institution, including all four (4) year universities and colleges and institutions of the Kentucky Community and Technical College System, shall be waived for a Department of Juvenile Justice foster child who is a full-time or part-time student if the student meets all entrance requirements and maintains academic eligibility while enrolled at the postsecondary institution and obtains a recommendation for participation from an official from the Department of Juvenile Justice, and if:
 - (a) The student has not been sentenced to the Department of Juvenile Justice under KRS Chapter 640;
 - (b) The student has been committed to the Department of Juvenile Justice for a period of at least twelve (12) months;
 - (c) The student is in an independent living program and placement is funded by the Department of Juvenile Justice;
 - (d) The parental rights of the student's biological parents have been terminated; or
 - (e) The student was committed to the Cabinet for Health and Family Services prior to a commitment to the Department of Juvenile Justice.

- (3) Upon request of the postsecondary institution, the Cabinet for Health and Family Services shall confirm the eligibility status under subsection (1) of this section and the Department of Juvenile Justice shall confirm the eligibility status and recommendations under subsection (2) of this section of the student seeking to participate in the waiver program. Release of this information shall not constitute a breach of confidentiality required by KRS 199.570, 610.320, or 620.050.
- (4) The student shall complete the Free Application for Federal Student Aid to determine the level of need and eligibility for state and federal financial aid programs. If the sum of the tuition waiver plus other student financial assistance, except loans and the work study program under 42 U.S.C. secs. 2751-2756b, from all sources exceeds the student's total cost of attendance, as defined in 20 U.S.C. sec. 10871l, the tuition waiver shall be reduced by the amount exceeding the total cost of attendance.
- (5) Except when extended in accordance with subsection (6) of this section, the student shall be eligible for the tuition waiver:
 - (a) For entrance to the institution for a period of no more than four (4) years after the date of graduation from high school or obtaining a high school equivalency diploma; and
 - (b) For one hundred fifty (150) consecutive or nonconsecutive credit hours earned, after first admittance to any Kentucky institution if satisfactory progress is achieved or maintained up to age twenty-eight (28).
- (6) The expiration of a student's eligibility under subsection (5)(a) of this section shall be extended by the number of academic terms the institution determines the student was unable to enroll for or complete due to serving:
 - (a) On active duty status in the United States Armed Forces;
 - (b) As an officer in the Commissioned Corps of the United States Public Health Service; or
 - (c) On active service in the Peace Corps Act or the Americorps.

The original age limitation under subsection (5)(b) of this section shall be extended by the total number of years during which the student was on active duty status. The number of months served on active duty status shall be rounded up to the next higher year to determine the maximum length of eligibility extension allowed.

- (7) The Council on Postsecondary Education shall report nonidentifying data on graduation rates of students participating in the tuition waiver program by November 30 each year to the Legislative Research Commission.
- (8) Nothing in this section shall be construed to:
 - (a) Guarantee acceptance of or entrance into any postsecondary institution for a foster or adopted child;
 - (b) Limit the participation of a foster or adopted student in any other program of financial assistance for postsecondary education;
 - (c) Require any postsecondary institution to waive costs or fees relating to room and board; or
 - (d) Restrict any postsecondary institution, the Department of Juvenile Justice, or the Cabinet for Health and Family Services from accessing other sources of financial assistance, except loans, that may be available to a foster or adopted student.

➔Section 126. KRS 154.32-010 is amended to read as follows:

- (1) "Activation date" means the date established in the tax incentive agreement that is within two (2) years of final approval;
- (2) "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;
 - (n) An S corporation and another S corporation if the same persons own more than fifty percent (50%) in value of the outstanding stock of each corporation; S corporation designation being the same as that designation under the Internal Revenue Code of 1986, as amended;
 - (o) An S corporation and a C corporation, if the same persons own more than fifty percent (50%) in value of the outstanding stock of each corporation; S and C corporation designations being the same as those designations under the Internal Revenue Code of 1986, as amended; or
 - (p) 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;

- (3) "Agribusiness" means the processing of raw agricultural products, including but not limited to timber and industrial hemp, or the performance of value-added functions with regard to raw agricultural products;
- (4) "Alternative fuel production" means a Kentucky operation that primarily produces alternative transportation fuels for sale. The alternative fuel production may produce electricity as a by-product if the primary function of the operations remains the production and sale of alternative transportation fuels;
- (5) "Alternative transportation fuels" has the same meaning as in KRS 152.715;
- (6) "Approved company" means an eligible company that has received final approval to receive incentives under this subchapter;
- (7) "Approved costs" means the amount of eligible costs approved by the authority at final approval;
- (8) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;
- (9) "Biomass resources" has the same meaning as in KRS 152.715;
- (10) "Capital lease" means a lease classified as a capital lease by the Statement of Financial Accounting Standards No. 13, Accounting for Leases, issued by the Financial Accounting Standards Board, November 1976, as amended;
- (11) "Carbon dioxide or hydrogen transmission pipeline" means the in-state portion of a pipeline, including appurtenant facilities, property rights, and easements, that is used exclusively for the purpose of transporting carbon dioxide or hydrogen to the point of sale, storage, or other carbon or hydrogen management applications;
- (12) "Coal severing and processing" means activities resulting in the eligible company being subject to the tax imposed by KRS Chapter 143;
- (13) "Commonwealth" means the Commonwealth of Kentucky;
- (14) "Confirmed approved costs" means:
 - (a) For owned economic development projects, the documented eligible costs incurred on or before the activation date; or
 - (b) For leased economic development projects:
 - 1. The documented eligible costs incurred on or before the activation date; and
 - 2. Estimated rent to be incurred by the approved company throughout the term of the tax incentive agreement.

For both owned and leased economic development projects, "confirmed approved costs" may be less than approved costs, but shall not be more than approved costs;

- (15) "Department" means the Department of Revenue;
- (16) "Economic development project" means:
 - (a) The acquisition, leasing, or construction of a new facility;
 - (b) The acquisition, leasing, rehabilitation, or expansion of an existing facility; or
 - (c) The installation and equipping of a facility;

by an eligible company. "Economic development project" does not include any economic development project that will result in the replacement of facilities existing in the Commonwealth, except as provided in KRS 154.32-060;
- (17) (a) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or any other entity with a proposed economic development project that is engaged in or is planning to be engaged in one (1) or more of the following activities within the Commonwealth:
 - 1. Manufacturing;
 - 2. Agribusiness;

3. Nonretail service or technology;
 4. Headquarters operations, regardless of the underlying business activity of the company;
 5. Alternative fuel, gasification, energy-efficient alternative fuel, or renewable energy production;
 6. Carbon dioxide or hydrogen transmission pipeline;
 7. Coal severing and processing; or
 8. Hospital operations.
- (b) "Eligible company" does not include companies where the primary activity to be conducted within the Commonwealth is forestry, fishing, the provision of utilities, construction, wholesale trade, retail trade, real estate, rental and leasing, educational services, accommodation and food services, or public administration services;
- (18) "Eligible costs" means:
- (a) For owned economic development projects:
 1. Start-up costs;
 2. Nonrecurring obligations incurred for labor and nonrecurring payments to contractors, subcontractors, builders, and materialmen in connection with the economic development project;
 3. The cost of acquiring land or rights in land and any cost incidental thereto, including recording fees;
 4. The cost of contract bonds and of insurance of all kinds that may be required or necessary for completion of an economic development project which is not paid by a contractor or otherwise provided for;
 5. All costs of architectural and engineering services, including test borings, surveys, estimated plans and specifications, preliminary investigations, and supervision of construction, as well as for the performance of all the duties required for construction of the economic development project;
 6. All costs which are required to be paid under the terms of any contract for the economic development project;
 7. All costs incurred for construction activities, including site tests and inspections; subsurface site work; excavation; removal of structures, roadways, cemeteries, and other surface obstructions; filling, grading, and providing drainage and storm water retention; installation of utilities such as water, sewer, sewage treatment, gas, electric, communications, and similar facilities; off-site construction of utility extensions to the boundaries of the real estate; construction and installation of railroad spurs as needed to connect the economic development project to existing railways; or similar activities as the authority may determine necessary for construction of the economic development project; and
 8. All other costs of a nature comparable to those described *in this paragraph, including but not limited to investments in:*
 - a. *Laboratory equipment;*
 - b. *Computer servers;*
 - c. *Software;*
 - d. *Capitalized leases; and*
 - e. *Leasehold improvements;**when the costs are integral to the operation of research and development, headquarters, high-technology operations, or service sector facilities^[above]; and*
 - (b) For leased economic development projects:
 1. Start-up costs;
 2. Building/leasehold improvements;~~{and}~~

3. Fifty percent (50%) of the estimated annual rent for each year of the tax incentive agreement; *and*

4. *Investments in:*

a. *Laboratory equipment;*

b. *Computer servers;*

c. *Software; and*

d. *Capitalized leases;*

when the costs are directly related to the establishment or expansion of research and development, headquarters, high-technology operations, or service sector facilities.

Notwithstanding any other provision of this subsection, for economic development projects that are not in enhanced incentive counties, the cost of equipment eligible for recovery as an eligible cost shall not exceed twenty thousand dollars (\$20,000) for each new full-time job created as of the activation date;

- (19) "Employee benefits" means payments by an approved company for its full-time employees for health insurance, life insurance, dental insurance, vision insurance, defined benefits, 401(k), or similar plans;
- (20) "Energy-efficient alternative fuel production" means a Kentucky operation that produces for sale energy-efficient alternative fuels;
- (21) "Energy-efficient alternative fuels" means homogeneous fuels that:
- (a) Are produced from processes designed to densify feedstock coal, waste coal, or biomass resources; and
 - (b) Have an energy content that is greater than the feedstock coal, waste coal, or biomass resource;
- (22) "Enhanced incentive counties" means counties certified by the authority pursuant to KRS 154.32-050;
- (23) "Final approval" means the action taken by the authority authorizing the eligible company to receive incentives under this subchapter;
- (24) (a) "Full-time job" means a job held by a person who:
1. Is required to work a minimum of thirty-five (35) hours per week; and
 2. a. Is subject to the Kentucky individual income tax imposed by KRS 141.020; or
 - b. Works remotely away from the economic development project if the job meets all of the following conditions:
 - i. Is held by a Kentucky resident;
 - ii. Was created as a result of the economic development project; and
 - iii. The payroll of this job is expensed to the economic development project.
 - (b) "Full-time job" does not include a job held by a resident of any state with a reciprocal agreement between the Commonwealth and the other state as described in KRS 141.070;
- (25) "Gasification process" means a process that converts any carbon-containing material into a synthesis gas composed primarily of carbon monoxide and hydrogen;
- (26) "Gasification production" means a Kentucky operation that primarily produces for sale:
- (a) Alternative transportation fuels;
 - (b) Synthetic natural gas;
 - (c) Chemicals;
 - (d) Chemical feedstocks; or
 - (e) Liquid fuels;

from coal, waste coal, coal-processing waste, or biomass resources, through a gasification process. The gasification production may produce electricity as a by-product if the primary function of the operations

remains the production and sale of alternative transportation fuels, synthetic natural gas, chemicals, chemical feedstocks, or liquid fuels;

- (27) "Headquarters" means the principal office where the principal executives of the entity are located and from which other personnel, branches, affiliates, offices, or entities are controlled;
- (28) "Hospital" means a facility licensed by the Cabinet for Health and Family Services under KRS Chapter 216B for the operation of a hospital and the basic services provided by a hospital;
- (29) "Incentives" means the incentives available under this subchapter, as listed in KRS 154.32-020(3);
- (30) "Job target" means the annual average number of new full-time jobs that the approved company commits to create and maintain at the economic development project, which shall not be less than ten (10) new full-time jobs;
- (31) "Kentucky gross receipts" has the same meaning as in KRS 141.0401;
- (32) "Kentucky gross profits" has the same meaning as in KRS 141.0401;
- (33) "Lease agreement" means an agreement between an approved company and an unrelated entity conveying the right to use a facility, the terms of which reflect an arms' length transaction. "Lease agreement" does not include a capital lease;
- (34) "Leased project" means an economic development project site occupied by an approved company pursuant to a lease agreement;
- (35) "Manufacturing" means any activity involving:
- (a) Processing, assembling, or production of any property, including the processing resulting in a change in the conditions of the property and any activity related to the processing, assembling, or production of property, together with the storage, warehousing, distribution, and related office facilities; or
 - (b) Production of vital medications, personal protective equipment, or equipment necessary to produce personal protective equipment;
- (36) (a) "Nonretail service or technology" means any activity where service or technology is provided predominantly outside the Commonwealth and designed to serve a multistate, national, or international market.
- (b) "Nonretail service or technology" includes but is not limited to call centers, centralized administrative or processing centers, telephone or Internet sales order or processing centers, distribution or fulfillment centers, data processing centers, research and development facilities, and other similar activities;
- (37) "Owned project" means an economic development project owned in fee simple by the approved company or an affiliate, or possessed by the approved company or an affiliate pursuant to a capital lease;
- (38) "Personal protective equipment" means protective clothing, helmets, gloves, face shields, goggles, face masks, respirators, and other equipment designed to protect the user from injury or the spread of infection or illness;
- (39) "Preliminary approval" means the action taken by the authority preliminarily approving an eligible company for incentives under this subchapter;
- (40) "Renewable energy production" means a Kentucky operation that utilizes wind power, biomass resources, landfill methane gas, hydropower, solar power, or other similar renewable resources to generate electricity for sale to unrelated entities;
- (41) "Rent" means the actual annual rent or fee paid by an approved company under a lease agreement;
- (42) "Start-up costs" means nonrecurring costs incurred to furnish and equip a facility for an economic development project, including costs incurred for:
- (a) Computers, furnishings, office equipment, manufacturing equipment, and fixtures;
 - (b) The relocation of out-of-state equipment;~~and~~
 - (c) Cost of fixed telecommunications equipment; *and*
 - (d) *Investments in:*
 - 1. *Laboratory equipment;*

2. *Computer servers;*
3. *Software;*
4. *Capitalized leases; and*
5. *Leasehold improvements;*

when the costs are necessary to accommodate research and development, headquarters, high-technology operations, or service sector facilities;

as certified to the authority in accordance with KRS 154.32-030;

- (43) "Synthetic natural gas" means the same thing as in KRS 152.715;
- (44) "Tax incentive agreement" means the agreement entered into pursuant to KRS 154.32-040 between the authority and an approved company;
- (45) "Term" means the period of time for which a tax incentive agreement may be in effect, which shall not exceed fifteen (15) years for an economic development project located in an enhanced incentive county, or ten (10) years for an economic development project not located in any other county;
- (46) "Vital medications" means any drug or biologic used to prevent or treat a serious life-threatening disease or medical condition for which there is no other available source with sufficient supply of that drug or biologic or alternative drug or biologic;
- (47) "Wage" means the per hour earnings of a full-time employee, including wages, tips, overtime, bonuses, and commissions, as reflected on the employee's federal form W-2 wage and tax statement, but excludes employee benefits; and
- (48) "Wage target" means the average total hourly compensation amount, including the minimum wage and employee benefits, that the approved company commits to meet for all new full-time jobs created and maintained as a result of the economic development project, which shall not be less than:
 - (a) One hundred twenty-five percent (125%) of the federal minimum wage in enhanced incentive counties; or
 - (b) One hundred fifty percent (150%) of the federal minimum wage in all other counties.

➔SECTION 127. A NEW SECTION OF KRS CHAPTER 11 IS CREATED TO READ AS FOLLOWS:

- (1) *Pursuant to KRS 11.026(1), if a statue, monument, or object of art is privately funded and created depicting or representing United States Senator Addison Mitchell McConnell, and that statue, monument, or object of art is offered to the Commonwealth of Kentucky as a donation, the state curator shall accept that statue, monument, or object of art for display in the New State Capitol rotunda.*
- (2) *Notwithstanding the authority granted to the Historic Properties Advisory Commission in KRS 11.027(3), the commission shall reserve a place in one (1) of the four (4) corners of the first floor of the New State Capitol rotunda for the installation and permanent display of the statue, monument, or object of art referred to in subsection (1) of this section.*
- (3) *Pursuant to KRS 11.027(3)(a) and (d)1., the General Assembly hereby identifies and authorizes the installation and permanent display of the statue, monument, or object of art referred to in subsection (1) of this section in the place designated in subsection (2) of this section, and the commission and the Department for Facilities and Support Services in the Finance and Administration Cabinet shall take whatever action is required to install and display the statue, monument, or object of art upon the reopening of the New State Capitol after completion of its renovation.*

➔SECTION 128. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ AS FOLLOWS:

- (1) *As used in this section:*
 - (a) *"Facility operator" means a person who owns or operates a venue;*
 - (b) *"Professional sporting event":*
 1. *Means an organized, competitive event, governed by rules and a sporting body, where participants compete for compensation beyond actual expenses; and*

2. *Excludes minor league sporting events;*
 - (c) *"Qualifying attraction" means a series of professional sporting events which is:*
 1. *Held at a venue over a duration of at least three (3) 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 a professional sporting event; and*
 3. *Open to the public upon purchase of tickets, with attendance totaling at least one hundred thousand (100,000) admissions over the duration of each series of professional sporting events; and*
 - (d) *"Sponsoring entity" means the person hosting a qualifying attraction; and*
 - (e) *"Venue" means:*
 1. *Public property located in a consolidated local government or in an urban-county government that is owned, operated, or controlled by the consolidated local government, 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 the provisions of KRS 273.161 to 273.390;*
 3. *Property located in a consolidated local government or in 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 in an urban-county government that is suitable for hosting professional sporting events and qualifying attractions.*
- (2) *Notwithstanding KRS 134.580 and 139.770:*
- (a) *A sponsoring entity shall be granted a sales tax incentive equal to one hundred percent (100%) 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 related to the qualifying attraction, including but not limited to the sale of:*
 1. *Food and beverage concessions;*
 2. *Souvenirs;*
 3. *Parking;*
 4. *Suites;*
 5. *Sponsorships; and*
 6. *Other hospitality services;**sold at the qualifying attraction.*
 - (b) *One hundred percent (100%) of the sales tax incentive authorized in paragraph (a) of this subsection 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 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, 2026.*

- (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 professional sporting 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, 2027, and continuing each November 1 thereafter to November 1, 2037, 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;*
 - 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 November 30, 2036, and a qualifying attraction held after November 30, 2036, 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 professional sporting events across the Commonwealth and especially in rural Kentucky.*

➔SECTION 129. A NEW SECTION OF KRS CHAPTER 171 IS CREATED TO READ AS FOLLOWS:

- (1) *For taxable years beginning on or after January 1, 2027, but before January 1, 2031, a taxpayer completing a certified rehabilitation of a certified historic structure containing a minimum of twenty-five (25) stories shall be allowed a credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of the credit as provided in KRS 141.0205 for projects in which the total qualified rehabilitation expenses exceed one hundred fifty million dollars (\$150,000,000).*
- (2) *The credit shall be equal to the lesser of:*
- (a) *The percentage of qualified rehabilitation expenses as provided in Section 59 of this Act; or*
- (b) *The amount of federal credit allowed under 26 U.S.C. sec. 47 for the same qualified rehabilitation expenses that generated the tax credit under this section.*
- (3) (a) *The credit shall not:*
1. *Exceed forty million dollars (\$40,000,000); or*
2. *Be subject to the maximum credit amounts allowed in Section 59 of this Act.*
- (b) *Any project approved for credit under this section shall not be considered in determining whether the certified rehabilitation credit cap has been met for any taxable year and therefore not subject to the percentage of the credit cap allocated to owner-occupied residential property or other property that is not owner-occupied residential property as provided in Section 57 of this Act.*
- (4) *A taxpayer seeking the credit under this section shall file an application in accordance with Section 59 of this Act.*
- (5) *Unless otherwise stated in this section, the provisions of Section 59 of this Act shall apply to this section.*

➔Section 130. Notwithstanding KRS 45.777, a postsecondary institution's governing board may elect to sell or dispose of real property purchased in whole or in part with capital construction funds, or equipment purchased in whole or in part with state moneys. If the governing board elects to sell the real property or equipment, a detailed accounting of the cost of the real property or equipment, the maintenance of the property or equipment using moneys from an asset preservation pool appropriation, and the proceeds from the sale of the real property or equipment shall be submitted to the Office of State Budget Director and the Interim Joint Committee on Appropriations and Revenue within 30 days from the sale of the real property or equipment. Proceeds from the sale of the real property or equipment shall be designated by the postsecondary institution, on a proportionate basis, based on the funding sources used for the acquisition and maintenance of the real property or equipment sold.

➔Section 131. **Urgent Needs School Assistance:** If authorized in 2014 Ky. Acts ch. 117, Part I, A., 28., (5), 2014 Ky. Acts ch. 117, Part I, C., 1., (19), 2016 Ky. Acts ch. 149, Part I, A., 28., (4) and (5), 2018 Ky. Acts ch. 169, Part I, A., 27., (3), or 2021 Ky. Acts ch. 169, Part I, A., 28., (3), and subsequently, as a result of litigation or insurance, it receives funds for the original facility, the school district shall reimburse the Commonwealth an amount equal to that received for such purposes. If the litigation or insurance receipts are less than the amount received, the district shall reimburse the Commonwealth an amount equal to that received as a result of litigation or insurance less the district's costs and legal fees in securing the judgment or payment. Any funds received in this manner shall be deposited in the General Fund.

➔Section 132. The staff of the Legislative Research Commission is directed to complete a study on the taxation structure of depository financial institutions. The study shall include an analysis of other state's statutes, regulations, and policies and federal government regulations and guidance. The study shall be submitted to the Legislative Research Commission no later than December 1, 2026, for referral to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Banking and Insurance.

➔Section 133. The following KRS sections are repealed:

160.621 Excise tax on individual income for schools.

160.625 Excise tax returns -- Payment -- Form.

160.627 Information on state income tax liability of school district residents -- Department of Revenue as tax collector.

160.633 Deposit of excise tax proceeds.

➔Section 134. The following KRS sections are repealed:

211.390 Definitions for KRS 211.392.

211.392 Fluidized bed combustion technology tax exemption certificate.

217.2203 Labeling requirements.

217.2205 Administrative regulations.

217.2209 Federal regulation to supersede.

➔Section 135. Sections 1, 11 to 17, 45, 95 to 97, and 116 of this Act take effect August 1, 2026.

➔Section 136. Sections 9, 10, 71, 72, 107 to 115 and 117 of this Act take effect January 1, 2027.

➔Section 137. Sections 120 to 124 shall apply retroactively to January 1, 2020.

➔Section 138. Sections 98 to 102 of this Act shall apply retroactively to January 1, 2026.

➔Section 139. Section 128 of this Act shall take effect on July 1, 2026.

➔Section 140. Whereas funding the operations of state government is an essential part of the Commonwealth's budget, an emergency is declared to exist, and Sections 18 to 21, 33 to 35, 57 to 70, 73 to 91, 108 to 113, 119, 127, and 130 to 133 of this Act take effect upon passage and approval by the Governor or upon its otherwise becoming a law.

Vetoed in Part and Overridden April 14, 2026.