CHAPTER 198

(HB 869)

AN ACT relating to fiscal matters and declaring an emergency.

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

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Approved company" has the same meaning as in Section 13 of this Act;

(b) "Authority" has the same meaning as in Section 13 of this Act; and

(c) "Credit" means the economic development credit provided to an approved company by the authority in accordance with Section 17 of this Act.

(2) (a) For taxable years beginning on or after January 1, 2026, there shall be allowed an economic development credit to an approved company. The credit shall be refundable, nontransferable, and allowed against the tax imposed under KRS 141.020 or 141.040 and 141.0401, with the ordering of the credit as provided in Section 2 of this Act.

(b) In the case of a pass-through entity not subject to the tax imposed by KRS 141.040, the credit shall be taken against the tax imposed by KRS 141.0401 and shall be claimed by the partners, members, or shareholders in accordance with their proportionate share of income.

(c) The amount of the credit that may be claimed in a taxable year by the approved company shall be equal to the amount determined in accordance with Section 17 of this Act, as applicable, except the total amount of credits claimed by all approved companies under Section 17 of this Act shall not exceed four million dollars ($4,000,000) per taxable year, of which no more than one million dollars ($1,000,000) shall be allowed for wages paid to full-time employees in counties other than heritage counties.

(3) (a) The department shall:

1. Promulgate administrative regulations in accordance with KRS Chapter 13A to administer the credit;

2. Work with the authority to determine the approved amount of credit or apportionable share of credit available to be claimed in any taxable year on a return as filed by an approved company or each partner, member, or shareholder of an approved company; and

3. Report the following to the authority on the credits claimed under this section:

a. The total amount of credit awarded for each taxable year, by county;

b. Each taxpayer claiming a credit; and

c. The total amount of wages paid to a full-time employee by an approved company and included in its credit computation.

(b) 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 2. 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);

(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; ***and***

(aa) The alternative jet fuel producer credit permitted by Section 42 of this Act;

(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);

(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;

(h) The economic development credit permitted by Section 1 of this Act; and

(i) The certified mixed-use development credit permitted by Section 31 of this Act;

(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);

(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

(ac) The alternative jet fuel producer credit permitted by Section 42 of this Act; 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);

(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***;***

(f) The economic development credit permitted by Section 1 of this Act; and

(g) The certified mixed-use development credit permitted by Section 31 of this Act.

➔Section 3. 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 1 of this Act for purposes of the economic development credit;

21. Section 42 of this Act for purposes of the alternative jet fuel producer credit; and

22. Section 31 of this Act for purposes of the certified-mixed use development credit.

(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 4. KRS 154.12-204 is amended to read as follows:

As used in KRS 154.12-205 to 154.12-208, unless the context requires otherwise:

(1) "Agribusiness" has the same meaning as in KRS 154.32-010;

(2) "Alternative fuel production" has the same meaning as in KRS 154.32-010;

(3) "Applicant" means a business or industry that has made application for a grant-in-aid or skills training investment credit as authorized by KRS 154.12-205 to 154.12-208;

(4) "Approved company" means any qualified company seeking to sponsor an occupational upgrade training program or skills upgrade training program for the benefit of one (1) or more of its employees, which is approved by the corporation to receive grant-in-aid or skills training investment credits as provided by KRS 154.12-205 to 154.12-208;

(5) "Approved costs" means costs confirmed as eligible by the corporation, including:

(a) Fees or salaries required to be paid to instructors who are employees of the approved company, instructors who are full-time, part-time, or adjunct instructors with an educational institution, and instructors who are consultants on contract with an approved company in connection with an occupational upgrade training program or skills upgrade training program sponsored by an approved company;

(b) The cost of supplies***, equipment,*** and materials used exclusively in an occupational upgrade training program or skills upgrade training program sponsored by an approved company;

(c) Employee wages to be paid in connection with an occupational upgrade training program or skills upgrade training program sponsored by an approved company; and

(d) All other costs of a nature comparable to those described in this subsection;

(6) "Board" means the board of directors of the Bluegrass State Skills Corporation;

(7) "Carbon dioxide or hydrogen transmission pipeline" has the same meaning as in KRS 154.32-010;

(8) "Coal severing and processing" has the same meaning as in KRS 154.32-010;

(9) "Corporation" means the Bluegrass State Skills Corporation, or BSSC;

(10) "Educational institution" means a public or nonpublic secondary or postsecondary institution or an independent provider within the Commonwealth authorized by law to provide a program of skills training or education beyond the secondary school level or to adult persons without a high school diploma or its equivalent;

(11) "Employee" means any person ***who is***:

(a) ~~[Who is]~~Currently a permanent full-time employee of the qualified company;

(b) ***Subject to the tax imposed by KRS 141.020***~~[Who is a resident of Kentucky, as that term is defined in KRS 141.010]~~; and

(c) ~~[Who is]~~Paid the minimum base hourly wage plus employee benefits equal to or greater than fifteen percent (15%) of the minimum base hourly wage. If the qualified company does not provide employee benefits equal to at least fifteen percent (15%) of the minimum base hourly wage, the qualified company may still qualify if it provides the full-time employee total hourly compensation equal to or greater than one hundred fifteen percent (115%) of the minimum base hourly wage through increased hourly wages combined with at least one (1) company-paid employee benefit;

(12) "Energy-efficient alternative fuel production" has the same meaning as in KRS 154.32-010;

(13) "Gasification production" has the same meaning as in KRS 154.32-010;

(14) "Grant-in-aid" means funding that is provided to qualified companies by the BSSC for the development or expansion of a program as provided in this chapter;

(15) "Headquarters" has the same meaning as in KRS 154.32-010;

(16) ***"Heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97);***

(17) "Hospital" has the same meaning as in KRS 154.32-010;

(18) ~~[(17)]~~ "Manufacturing" has the same meaning as in KRS 154.32-010;

(19) ~~[(18)]~~ "Minimum base hourly wage" means the minimum wage amount paid to an employee by a qualified company, which shall not be less than***:***

(a) ***Two*** ~~[One]~~ hundred ~~[fifty]~~ percent ***(200%)*** ~~[(150%)]~~ of the federal minimum wage ***for a company located in a heritage county; or***

(b) ***Three hundred percent (300%) of the federal minimum wage for a company located in any other county***;

(20) ~~[(19)]~~ "Nonretail service or technology" ***has*** ~~[means]~~ the same ***meaning*** as in KRS 154.32-010;

(21) ~~[(20)]~~ "Occupational upgrade training" means employee training sponsored by a qualified company that is designed to qualify the employee for a promotional opportunity with the qualified company;

(22) ~~[(21)]~~ "Program" or "program of skills training or education consistent with employment needs" means a coordinated course of instruction which is designed to prepare individuals for employment in a specific trade, occupation, or profession. Such instruction may include:

(a) Classroom instruction;

(b) Classroom-related field, shop, factory, office, or laboratory work; and

(c) Basic skills, entry level training, job upgrading, retraining, and advance training;

(23) ~~[(22)]~~ (a) "Qualified company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or any other legal entity through which business is conducted 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. Headquarter 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) "Qualified 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, accommodation and food services, or public administration services;

(24) ~~[(23)]~~ "Renewable energy production" means the same as in KRS 154.32-010;

(25) ~~[(24)]~~ "Skills upgrade training" means employee training sponsored by a qualified company that is designed to provide the employee with new skills necessary to enhance productivity, improve performance, or retain employment, including but not limited to technical and interpersonal skills, and training that is designed to enhance computer skills, communication skills, problem solving, reading, writing, or math skills of employees who are unable to function effectively on the job due to deficiencies in these areas, are unable to advance on the job, or who risk displacement because their skill deficiencies inhibit their training potential for new technology;

(26) ~~[(25)]~~ "Skills training investment credit" means the credit against Kentucky income tax imposed by KRS 141.020 or 141.040, and the limited liability entity tax imposed by KRS 141.0401, as provided in this subchapter; and

(27) ~~[(26)]~~ "Technical assistance" means professional and any other assistance provided by qualified companies to an educational institution, which is reasonably calculated to support directly the development and expansion of a particular program as defined herein.

➔Section 5. KRS 154.12-207 is amended to read as follows:

(1) The corporation may, subject to appropriation from the General Assembly or from funds made available to the corporation from any other public or private source, provide grants-in-aid to qualified companies, not in excess of five hundred thousand dollars ($500,000) per grant-in-aid. Such grants-in-aid shall be used exclusively for programs which are consistent with the provisions of this chapter.

(2) The corporation may, in accordance with KRS 154.12-204 to 154.12-208, award a skills training investment credit to an approved company. The amount of the skills training investment credit awarded by the corporation shall be an amount not to exceed fifty percent (50%) of the amount of approved costs incurred by the approved company in connection with its program of occupational upgrade training or skills upgrade training, the credit amount not to exceed ***four thousand five hundred dollars ($4,500)*** ~~[two thousand dollars ($2,000)]~~ per trainee ***for an approved company in a heritage county and three thousand five hundred dollars ($3,500) per trainee for an approved company located in any other county,*** and, in the aggregate, not to exceed five hundred thousand dollars ($500,000) for each approved company per fiscal year. The corporation shall only approve one (1) application per fiscal year for each approved company.

(3) To apply for a grant-in-aid or a skills training investment credit, a qualified company shall submit an application to the Bluegrass State Skills Corporation before commencing its program of skills upgrade or occupational upgrade training. Each application shall contain information the corporation requires, including but not limited to:

(a) A proposal for a program of skills upgrade training, occupational upgrade training, and education;

(b) A description of each component of the proposed training program and the number of employee training hours requested; and

(c) A statement of the total anticipated costs and expenses of the program, including a breakdown of the costs associated with equipment, personnel, facilities, and materials.

(4) Approval of the grant-in-aid and skills training investment credit application by the board shall be based upon the following criteria:

(a) The program must be within the scope of KRS 154.12-204 to 154.12-208;

(b) Participants in the program must qualify as an employee as defined by KRS 154.12-204;

(c) The program must involve an area of skills upgrade training, occupational upgrade training, and education which is needed by a qualified company and for which a shortage of qualified individuals exists within the Commonwealth; and

(d) The grant-in-aid and skills training investment credit must be essential to the success of the program as the resources are inadequate to attract the technical assistance and financial support necessary from a qualified company.

(5) After a review of applications for grant-in-aid and skills training investment credits, the corporation may designate the qualified company as an approved company and approve the maximum amount of grants and skills training investment credits the approved company is eligible to receive. The maximum amount of skills training investment credits approved for all qualified companies by the corporation shall not exceed two million five hundred thousand dollars ($2,500,000) for each fiscal year. Skills training investment credits that remain unallocated by the corporation at the end of its fiscal year shall lapse and shall not be carried forward to a new fiscal year.

(6) The approved company shall complete all programs of skills upgrade training or occupational upgrade training within ***three (3) years*** ~~[one (1) year]~~ from the date of approval by the corporation and shall certify the completion of these programs to the corporation. Once they are completed and certified and all required documentation is provided and received by the corporation, the corporation shall disburse the grant funds or notify the approved company of the final authorized skills training investment credit.

➔Section 6. KRS 154.21-015 is amended to read as follows:

As used in KRS 154.21-010 to 154.21-040:

(1) "Cabinet" means the Cabinet for Economic Development;

(2) "County population ranking" means the score of each county determined by the cabinet under KRS 154.21-017;

(3) "Eligible grant recipient" means a grant applicant that is a local government or an economic development authority in an economic development district in this Commonwealth that is engaged in an eligible project;

(4) "Eligible project":

(a) Means an economic development project initiated on a property that meets the availability requirements in KRS 154.21-035(3); and

(b) Requires local matching funds based on the county population ranking;

(5) "Eligible use":

(a) Means the authorized purpose for which an awarded grant may be used depending on the source of funds from the Commonwealth; and

(b) May include expenditures in any of the following categories or some combination thereof:

1. Due diligence study;

2. Property acquisition;

3. Infrastructure extension or improvement;

4. Site preparation work;

5. Building construction or renovation; or

6. Road improvement;

(6) ***"Heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97);***

(7) "Population density":

(a) Means the number of persons per square mile of a county;

(b) Is calculated by dividing the total county population by the square miles in the county;

(c) Is determined by using the population estimate from the most recent available five (5) year American Community Survey as published by the United States Census Bureau; and

(d) Is used to rank each county in descending order, with the county having the largest population density receiving a rank of one (1) and the county with the smallest population density receiving a rank of one hundred twenty (120);

(8) ~~[(7)]~~ "Regional project" means an eligible project that is proposed by eligible grant recipients residing in different counties in this Commonwealth who submit a single grant application as co-applicants; and

(9)~~[(8)]~~ "Ten (10) year percentage change in population":

(a) Means the percentage change in population within a county;

(b) Is determined by comparing the population estimate from the most recent available five (5) year American Community Survey as published by the United States Census Bureau to the same survey ten (10) years prior to the most recent available survey; and

(c) Is used to rank each county in descending order, with the county having the largest positive percentage change in population receiving a rank of one (1) and the county with the largest negative percentage change receiving a rank of one hundred twenty (120).

➔Section 7. KRS 154.21-017 is amended to read as follows:

(1) The Kentucky Product Development Initiative of 2024 is hereby established under the cabinet. The cabinet shall partner with the Kentucky Association for Economic Development to administer the program. The cabinet's administration of the program includes:

(a) Creating and making available a standardized grant application and regional grant application;

(b) Adopting a standardized scoring system pursuant to KRS 154.21-040;

(c) Reviewing the applications and proposals submitted by the proposed grant recipients;

(d) Verifying the eligibility of the proposed grant recipients;

(e) Verifying that the proposed grant recipient seeks grant money for an eligible project prior to prioritizing all eligible projects;

(f) Determining the county's population ranking under subsection (3) of this section;

(g) Awarding grants to selected eligible grant recipients in multiple rounds of funding; and

(h) Compiling and submitting the reports required by subsections (3) and (5) of this section.

(2) Upon receipt of eligible grant recipients and eligible project recommendations and prioritization from the Kentucky Association for Economic Development and the third-party independent site selection consultant, the cabinet shall verify and process the eligible grant recipients and eligible project recommendations with the intent to approve and award grants under the economic development fund program pursuant to KRS 154.12-100 and based on the following criteria:

(a) Consideration of whether the eligible grant recipient had received a grant award from the Kentucky Product Development Initiative of 2022 under KRS 154.21-020; and

(b) The matching funds for the selected grant recipient's contribution to its eligible project based on the county population ranking determined under subsection (3) of this section.

(3) (a) On or before June 1, 2024, and no later than June 1 every two (2) years thereafter, the cabinet shall determine a county population ranking for each county by adding the following two (2) factors:

1. The population density ranking; and

2. The ten (10) year percentage change in population ranking.

(b) The required local match for each county shall be as follows:

1. Eligible projects in counties where the county population ranking is greater than or equal to one hundred ninety-three (193) shall provide a minimum amount of local matching funds equal to ten percent (10%) of the project cost;

2. Eligible projects in counties where the county population ranking is less than one hundred ninety-three (193) but greater than or equal to one hundred forty-five (145) shall provide a minimum amount of local matching funds equal to twelve and one-half percent (12.5%) of the project cost;

3. Eligible projects in counties where the county population ranking is less than one hundred forty-five (145) but greater than or equal to ninety-seven (97) shall provide a minimum amount of local matching funds equal to fifteen percent (15%) of the project cost;

4. Eligible projects in counties where the county population ranking is less than ninety-seven (97) but greater than or equal to forty-nine (49) shall provide a minimum amount of local matching funds equal to seventeen and one-half percent (17.5%) of the project cost;

5. Eligible projects in counties where the county population ranking is less than forty-nine (49) shall provide a minimum amount of local matching funds equal to twenty percent (20%) of the project cost; and

6. For eligible projects requesting due diligence as an eligible use, the due diligence must be completed prior to acquisition of the site. If the due diligence result leads to the decision to not purchase the site, then the cabinet may expend up to two hundred thousand dollars ($200,000) with no local matching funds required. If the amount to be reimbursed by the cabinet exceeds two hundred thousand dollars ($200,000), the cabinet shall report to the Interim Joint Committee on Appropriations and Revenue, or the Senate Standing Committee on Appropriations and Revenue and the House Standing Committee on Appropriations and Revenue, within five (5) days of the disbursement. The report shall include the name and county location of the eligible project approved, the amount of the grant awarded, the amount of the funding disbursed for due diligence and the extenuating circumstances related to the due diligence study.

(c) On or before July 1, 2024, and no later than July 1 every two (2) years thereafter, the cabinet shall report to the Legislative Research Commission and the Interim Joint Committee on Appropriations and Revenue the following information for each county:

1. The county name;

2. The population density ranking for that county;

3. The ten (10) year percentage change in population ranking for that county; and

4. The county population ranking for that county.

(d) When awarding grants in this initiative, the cabinet shall not award grants to:

1. An eligible grant recipient or a group of eligible grant recipients in excess of the amount allocated to the county in which the county is located, except when pooled pursuant to subsection (4) of this section; or

2. An eligible grant recipient that received a grant award from the Kentucky Product Development Initiative of 2022 prior to all other eligible grant recipients receiving a grant award from the Kentucky Product Development Initiative of 2024 if the eligible project scores are equal to or above the score of an eligible project from an eligible grant recipient who received a grant award from the Kentucky Product Development Initiative of 2022 under KRS 154.21-040, and in the case where the scores are equal, discretion by the Kentucky Association for Economic Development and the cabinet shall be used.

(e) The maximum funding available for an approved development project is ***two million five hundred thousand dollars ($2,500,000) in a heritage county and*** two million dollars ($2,000,000) ***in any other*** ~~[per]~~ county, except as permitted by subsection (4) of this section.

(f) If there are funds available after the first round of grant awards of the Kentucky Product Development Initiative of 2024, the cabinet shall initiate additional rounds of grant awards.

(4) (a) For selected eligible grant recipients that are involved in a regional project, the cabinet may pool the potential allocation of funds available for each county represented by the eligible grant recipients for the grant amount awarded.

(b) A county that is an eligible grant recipient involved in a regional project shall provide that county's local matching funds based on the county population ranking determined under subsection (3) of this section and each county's local matching funds may be pooled as described in paragraph (a) of this subsection.

(5) Beginning no later than November 1, 2024, and annually thereafter until the authorized appropriation is spent or returned, the cabinet shall compile and submit a report for each application approved by the Kentucky Economic Development Finance Authority for the Kentucky Product Development Initiative of 2024. The

report shall be electronically delivered to the Legislative Research Commission and the Interim Joint Committee on Appropriations and Revenue and contain the following information:

(a) The name of the applicant, a description of the eligible project, and the location of each proposed project for which an application was approved;

(b) The date the application was approved by the Kentucky Economic Development Finance Authority;

(c) The amount of funding authorized for each project approved;

(d) The total amount of funding disbursed for each project approved; and

(e) The round of funding for which each project received approval.

(6) The Kentucky Product Development Initiative of 2024 shall begin July 1, 2024.

➔Section 8. KRS 154.21-035 is amended to read as follows:

(1) The Kentucky Association for Economic Development shall evaluate each applicant's eligible project according to the criteria described in this section and KRS 154.21-040 for the purposes of compiling a recommendation and score for the eligible project and project site pursuant to KRS 154.21-040.

(2) The Kentucky Association for Economic Development and the third-party independent site selection consultant shall consider the requirements in the following five (5) categories in the evaluation of proposed projects:

(a) Property availability as described in subsection (3) of this section;

(b) Property development ability as described in subsection (4) of this section;

(c) Zoning availability as described in subsection (5) of this section;

(d) Transportation accessibility as described in subsection (6) of this section; and

(e) Utility adequacy as described in subsection (7) of this section.

(3) The property that the eligible project occupies or is proposed to occupy shall be available. Property shall be deemed available for the purposes of this program:

(a) If the property is publicly owned; or

(b) If the project's eligible use includes property acquisition or a due diligence study. In this situation the application shall include one (1) of the following:

1. A legally binding letter of intent or option for the sale to an eligible grant recipient; or

2. An agreement for the sale to an eligible recipient.

(4) The property that the eligible project occupies or is proposed to occupy shall be developable. Property shall be deemed developable if:

(a) The acreage intended for development is clearly defined by either:

1. The grant applicant; or

2. An engineering partner during or after a site visit, if the applicant is unable to define the developable acreage; and

(b) The property is free of impediments to development, or a known impediment can be mitigated by a grant applicant. A property is free of impediments if it:

1. Is located outside of the one hundred (100) year and five hundred (500) year flood zone;

2. Is free of recognized environmental conditions;

3. Is free of wetlands;

4. Is free of state and federally threatened and endangered species;

5. Is free of areas of archaeological or historical significance; and

6. Possesses soils compatible with the grant applicant's intended development.

(5) The property that the eligible project occupies or is proposed to occupy shall be appropriately zoned for the intended use or shall be able to be rezoned within ninety (90) calendar days. The properties surrounding the grant applicant's project site shall be zoned so they are compatible with the grant applicant's intended development and use of the project site.

(6) The property that the eligible project occupies or is proposed to occupy shall be directly served by a road or roads that are compatible with the intended use of the property. Additionally, if the property is marketed as rail-served, the property shall be deemed rail-served if:

(a) The grant applicant provides documentation from the rail provider that evinces that rail infrastructure exists and the rail provider actually provides rail service; or

(b) If the rail service does not exist at the time of the grant application, the grant applicant provides documentation from the rail provider that evinces that the project site will be able to be rail-served within twelve (12) months.

(7) The property that the eligible project occupies or is proposed to occupy shall have access to adequate utilities and shall be served or able to be served by the following:

(a) Electric infrastructure;

(b) Natural gas ***or propane***;

(c) Water infrastructure and a public water system;

(d) Wastewater infrastructure and a public wastewater treatment plant, excluding a septic wastewater treatment system; and

(e) Fiber telecommunications infrastructure.

➔Section 9. KRS 154.25-010 is amended to read as follows:

As used in this subchapter:

(1) "Activation date" means a date selected by an approved company and set forth in the jobs retention agreement at any time within a three (3) year period after the date of final approval of the agreement by the authority upon which the required investment shall be made and the jobs retention project completed;

(2) "Agreement" means a jobs retention agreement entered into pursuant to KRS 154.25-030 on behalf of the authority and an approved company with respect to a jobs retention project;

(3) "Agribusiness" has the same meaning as in KRS 154.32-010;

(4) "Approved company" means any eligible company approved by the authority pursuant to KRS 154.25-030 for a jobs retention project;

(5) "Approved costs" means that portion of the eligible costs approved by the authority that an approved company may recover through the inducements authorized by KRS 154.25-030, being a percentage of eligible costs as approved by the authority;

(6) "Assessment" means the wage assessment fee authorized by KRS 154.25-040;

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

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

(9) "Eligible company"***:***

(a) Means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or any other entity that has been operating within the Commonwealth on a continuous basis for at least sixty (60) months preceding the request for approval by the authority of the project which meets the standards set forth in KRS 154.25-020, has been previously approved for economic development incentives from the Commonwealth related to one (1) or more of its facilities, and employs a minimum of ***two hundred fifty (250) full-time persons for a project located in a heritage county or*** one thousand (1,000) full-time persons ***for a project located in any other county,*** engaged in one (1) or more of the following activities:

1.~~[(a)]~~ Manufacturing;

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

3.~~[(c)]~~ Nonretail service or technology; or

4.~~[(d)]~~ Headquarters operations, regardless of the underlying business activity of the company***; and***~~[.]~~

(b) ~~["Eligible company"]~~Does not include companies where the primary activity to be conducted within the Commonwealth is forestry, fishing, mining, coal or mineral processing, the provision of utilities, construction, wholesale trade, retail trade, real estate, rental and leasing, educational services, accommodation and food services, or public administration services;

(10) "Eligible costs" means:

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

(b) The cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of a jobs retention project which is not paid by the vendor, supplier, deliveryman, contractor, or otherwise provided;

(c) All costs of architectural and engineering services, including estimates, plans and specifications, preliminary investigations, and supervision of construction, rehabilitation, and installation, as well as for the performance of all the duties required by or consequent upon the acquisition, construction, equipping, rehabilitation, and installation of a jobs retention project;

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

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

(f) All other costs comparable with those described above;

(11) "Final approval" means the action taken by the authority authorizing the eligible company to receive inducements under this subchapter;

(12) "Headquarters" has the same meaning as in KRS 154.32-010;

(13) ***"Heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97);***

(14) "Inducements" means the Kentucky tax credit and the wage assessment fee as prescribed in KRS 154.25-030 and 154.25-040;

(15)~~[(14)]~~ "Jobs retention project" or "project" means the acquisition, construction, and installation of new equipment and, with respect thereto, the construction, rehabilitation, and installation of improvements to facilities necessary to house the acquisition, construction, and installation of new equipment, including surveys; installation of utilities, including water, sewer, sewage treatment, gas, electricity, communications, and similar facilities; off-site construction of utility extensions to the boundaries of the real estate on which the facilities are located; and shall contain eligible costs of not less than ***twenty-five million dollars ($25,000,000) for a project located in a heritage county or*** one hundred million dollars ($100,000,000) ***for a project located in any other county***, all of which are utilized to improve the economic and operational situation of an approved company to allow the approved company to reinvest in its operations and retain a significant number of existing jobs within the Commonwealth;

(16)~~[(15)]~~ "Kentucky gross profits" means Kentucky gross profits as defined in KRS 141.0401;

(17)~~[(16)]~~ "Kentucky gross receipts" means Kentucky gross receipts as defined in KRS 141.0401;

(18)~~[(17)]~~ "Manufacturing" has the same meaning as in KRS 154.32-010;

(19)~~[(18)]~~ "Nonretail service or technology" has the same meaning as in KRS 154.32-010;

(20)~~[(19)]~~ "Preliminary approval" means the action taken by the authority conditioning final approval by the authority upon satisfaction by the eligible company of the requirements under this subchapter;

(21) ~~[(20)]~~ "Supplemental project" means an additional jobs retention project proposed by the approved company or its affiliate during the term of a previously approved jobs retention project, which may be included in the jobs retention agreement by way of amendment and which may result in increased inducements and an extension of the original project term as set forth in KRS 154.25-050; and

(22) ~~[(21)]~~ "Transferred credits" means unused approved costs as determined by the Department of Revenue from a previously approved, independent, active project under a different incentive program governed by the Cabinet for Economic Development that may be transferred to a jobs retention project and used by the approved company pursuant to a jobs retention agreement.

➔Section 10. KRS 154.25-030 is amended to read as follows:

(1) The authority, upon adoption of its final approval, may enter into, with any approved company, an agreement with respect to the jobs retention project. The terms and provisions of each agreement, including the amount of approved costs, the amount of the inducement, the job maintenance requirement, and any limitations the authority may deem necessary, shall be determined by negotiations between the authority and the approved company, except that each agreement shall include the following provisions:

(a) The amount the approved company may recover through inducements under this subchapter for the initial project, which shall be a negotiated percentage not to exceed fifty percent (50%) of eligible costs. However, the authority may negotiate an increase in the percentage such that both the initial project and any supplemental projects are eligible for seventy-five percent (75%) of eligible costs upon approval of a supplemental project. The adjustment to the initial project shall be made on the total approved costs and any credits taken prior to the addition of a supplemental project shall then be subtracted from that increased amount of approved costs. Neither the initial project nor any supplemental project shall ever be eligible for inducements greater than seventy-five percent (75%) of the eligible costs. The authority shall negotiate a maximum allowable inducement for each year of the agreement, and the approved company may not recover inducements above that maximum in any year during the term of the agreement, except that the annual maximum allowable inducement may be exceeded if a carry-forward of unused inducements from previous years exists. Any carry-forward of unused inducements will lapse upon maturity or termination of the agreement;

(b) A provision that sets the activation date for the initial project within three (3) years of the final approval. Prior to the activation date, the authority may extend the time for the completion of the jobs retention project and compliance with the required investment upon request of the approved company for good cause; however, the ten (10) year period for the term of the agreement shall begin from the activation date. No inducements from the jobs retention project shall be available, other than the transferred credits provided for under subsection (2) of this section, until activation. Upon activation, the balance of transferred credits shall expire;

(c) A provision that states that within three (3) months of the completion of the jobs retention project, the approved company shall document the actual cost of the project in a manner acceptable to the authority. The authority may employ an independent consultant or utilize technical resources to verify the cost of the project. The approved company shall reimburse the authority for the cost of the consultant;

(d) A provision that establishes a minimum required number of full-time jobs that must be maintained at the site of the jobs retention project and filled with residents of the Commonwealth subject to Kentucky income tax and states that the authorized inducements may be suspended at the discretion of the authority from the date of noncompliance until the date compliance is reestablished if the approved company's employment falls below the established minimum employment requirement. If the company does not increase the number of full-time employees at the site who are residents of the Commonwealth and subject to Kentucky income tax sufficiently to meet the minimum employment requirement within one (1) year from the date of the initial suspension, the remaining unused inducements may be terminated at the discretion of the authority;

(e) A provision that gives the authority discretion to suspend or terminate the authorized inducements for any failure to comply with the terms of the agreement; and

(f) ***1.*** A provision that provides the term shall not be longer than the earlier of:

a. ~~[1.]~~ The date on which the approved company has received inducements or withheld assessments equal to the amount that the company may recover under paragraph (a) of this subsection; or

b.~~[2.]~~ Ten (10) years from the activation date.

2. ~~[However,]~~The term ***in subparagraph 1. of this paragraph*** may be extended to a period longer than ten (10) years upon***:***

a. The approved company demonstrating that less than seventy-five percent (75%) of the incentives awarded under the agreement will be claimed during the term of the agreement; or

b. The addition of a supplemental project as negotiated and approved by the authority.

3. An extension of the term shall not amend any provision of the agreement impacting the scope of the project or the maximum amount of incentives awarded under the agreement.

(2) In consideration of the execution of the agreement, during the time the agreement is in effect, which time shall commence on the date of the agreement, the approved company may be permitted the following inducements:

(a) Beginning on the effective date of the jobs retention agreement, which shall also be the date of final approval, if the approved company has a balance of unused approved costs on a previously existing and active incentive agreement approved by the authority pursuant to KRS Chapter 154, the approved company may impose wage assessments on employees whose jobs are at the facility where the project defined in the previously existing incentive agreement was located. The wage assessments may be imposed as provided in KRS 154.25-040, and shall be available in an amount up to the balance of transferred credits from the previously existing project.

1. The transferred credits shall only be available to the approved company until the activation date, the term from the original incentive agreement expires, or the balance of transferred credits is exhausted, whichever occurs first; and

2. Should the approved company exercise this option, the incentive agreement from which the credits were transferred shall be terminated upon transfer and all parties shall be released from their obligations thereunder.

(b) After the activation date:

1. A one hundred percent (100%) credit against the taxes imposed by KRS 141.020, 141.040, and 141.0401 that would otherwise be owed by the approved company, in the approved company's taxable year, as determined under KRS 141.402, on the taxable income, Kentucky gross receipts, or Kentucky gross profits of the approved company generated by or arising from the jobs retention project. The ordering of credits shall be as provided in KRS 141.0205;

2. The aggregate assessment withheld by the approved company as provided in KRS 154.25-040 in each year after the activation date;

(c) The tax credits allowed to the approved company shall be equal to the lesser of the total amount of the tax liability or the amount that the company may recover under subsection (1)(a) of this section that has not yet been recovered, reduced by any recovery through the collection of assessments subject to the annual maximum inducements authorized pursuant to subsection (1)(a) of this section. The credit shall be allowed for each taxable year of the approved company during the term of the agreement and for which a tax return of the approved company is filed until the amount that the company may recover under subsection (1)(a) of this section has been received through a combination of credits and assessments, if the company elects to impose assessments. The approved company shall not be required to pay estimated tax payments as prescribed under KRS 141.044 or 141.305 on income, Kentucky gross profits, or Kentucky gross receipts from the jobs retention project. One hundred eighty (180) days after the filing of the tax return of the approved company, the Department of Revenue shall certify to the authority the state tax liability for the preceding taxable year of the approved company and the amount of any tax credits taken pursuant to this section;

(d) Prior to execution of the agreement, the eligible company shall secure from all local governmental authorities responsible for collecting local occupational license fees a resolution or order of the local governmental entities acknowledging and consenting to the termination or partial termination of the receipt of local occupational license fees on wages subject to the agreement paid by the approved company on behalf of its employees to the local government entities;

(e) If more than one (1) local occupational license fee is imposed upon the employees of the approved company, the assessment imposed upon the employees shall be credited against the local occupational

license fee and shall be apportioned to each local occupational license fee according to each local occupational license fee's proportion to the total of all local occupational license fees for such employees. No credit or portion thereof shall be allowed against any local occupational license fee imposed by or dedicated solely to a local board of education; and

(f) If, in any taxable year of the approved company during which the agreement is in effect, the assessment collected from the wages of the employees exceeds the expended portion of the amount that the approved company may recover under paragraph (a) of this subsection, or exceeds the annual maximum negotiated by the authority, the assessment collected from the wages of the employees shall cease for the remainder of that taxable year of the approved company. The approved company shall resume normal personal income tax and occupational license fee withholdings from the employees' wages for the remainder of that taxable year, and the approved company shall remit to the Commonwealth and applicable local jurisdictions their respective shares of the excess assessment collected on the withholding filing date for employees' wages next succeeding the first date when the approved company collected excess assessments.

(3) The jobs retention agreement and inducements available pursuant thereto shall not be transferable or assignable by the approved company without the expressed written consent of the authority.

➔Section 11. KRS 65.4931 is amended to read as follows:

(1) As used in this section:

(a) "Borrower" means the entity receiving the proceeds from a new bond issued because of an extended tax increment financing agreement allowed under KRS 65.490***(12)*** ~~[(10)]~~;

(b) "Excess revenues" means all moneys which exceed the costs associated with the borrower's operating expenses, capital expenditures, and the regularly scheduled debt service on the bond; and

(c) "Term of the bond" shall begin on the date any current bonds are refinanced, reissued, or restructured and shall end upon the earlier of the stated maturity date of the bond or the payment in full of the bond.

(2) A pilot program may be extended for a period not to exceed an additional twenty-five (25) years in connection with the issuance of a new bond by the Kentucky Economic Development Finance Authority if the pilot program agreement contains provisions requiring that:

(a) The borrower use all excess revenues to redeem the bond prior to the stated maturity date;

(b) 1. Once the bond is callable, the borrower apply all excess revenues to the redemption of the bond prior to the stated maturity date at least every thirty-six (36) months; and

2. If it is the position of the borrower that the application of all excess revenues to the redemption of the bond prior to the stated maturity date jeopardizes the project, the borrower shall present an alternative payment plan for that thirty-six (36) month period to the Capital Projects and Bond Oversight Committee for approval; and

(c) No further revenues under the pilot program be remitted to the borrower following the end of the term of the bond.

(3) The borrower shall submit a report to the Governor and the Capital Projects and Bond Oversight Committee on or before November 1, 2018, and annually thereafter regarding the operations and financial condition of the borrower.

➔Section 12. KRS 154.25-050 is amended to read as follows:

(1) If an approved company makes additional investments in the form of additional jobs retention projects during the term of the initial jobs retention project, the approved company may apply for, and the authority may approve, a supplemental project.

(2) The authority, upon adoption of its final approval of a supplemental project, may enter into, with any approved company, an amended agreement with respect to both the initial jobs retention project and the supplemental project which shall jointly make up its project. The terms and provisions of each amended agreement, including the amount of approved costs, the amount of the tax credit pursuant to KRS 154.25-030, the job maintenance requirement established by the agreement, and any limitations the authority may deem necessary, shall be determined by negotiations between the authority and the approved company, except that each agreement shall include the following provisions:

(a) Upon approval of a supplemental project, the amount the approved company may recover through inducements for the initial project and any supplemental projects shall be a negotiated percentage not to exceed seventy-five percent (75%) of the eligible costs from the initial project and all newly incurred eligible costs from any supplemental projects, subject to the annual maximum negotiated and approved by the authority. At the time a supplemental project is approved, the recoverable amount and the annual maximum inducement for the initial jobs retention project and any previous supplemental projects may also be increased at the discretion of the authority pursuant to KRS 154.25-030.

(b) The activation date for a supplemental project shall be no more than three (3) years from final approval of the supplemental project. Prior to the activation date, the authority may extend the time for the completion of the jobs retention project and compliance with the required investment upon request of the approved company for good cause; however, the ten (10) year period for the term of the agreement shall begin from the activation date. Within three (3) months of the completion date for a supplemental project, the approved company shall document the actual cost of the project in a manner acceptable to the authority. The authority may employ an independent consultant to verify the cost of the supplemental project subject to reimbursement for the cost of same from the approved company.

(c) In consideration of the execution of the amended agreement, on the date stated in the agreement, the approved company may be permitted during the term of the amended agreement to take the inducements set forth in KRS 154.25-030(2)(b)***,*** ~~[and]~~ (2)(c)***, and (3)(a)***, subject to the remaining terms of that section.

➔Section 13. KRS 154.32-010 is amended to read as follows:

As used in this subchapter:

(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***; or***

9. Research and development.

(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~~[,~~

~~]~~ ***to furnish and equip a facility, including:***

a. Office and manufacturing equipment;

b. Software;

c. Computers;

d. Fixtures; and

e. Fixed telecommunications equipment;

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 above; and

(b) For leased economic development projects:

1. Start-up costs ***to furnish and equip a facility, including:***

a. Office and manufacturing equipment;

b. Software;

c. Computers;

d. Fixtures; and

e. Fixed telecommunications equipment;

2. Building/leasehold improvements; and

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

(23) ~~[(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;

(24) ~~[(25)]~~ "Gasification process" means a process that converts any carbon-containing material into a synthesis gas composed primarily of carbon monoxide and hydrogen;

(25) ~~[(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;

(26) ~~[(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;

(27) ~~[(28)]~~ ***"Heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97);***

(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"***:***

(a) Means an agreement between***:***

1. An approved company and an unrelated entity conveying the right to use a facility, the terms of which reflect an arms' length transaction***, or***

2. An approved company and a related entity where the facility to be occupied by the approved company was conveyed by an unrelated entity after the approved company received preliminary approval; and ~~[. "Lease agreement"]~~

(b) 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***, with the exception of paragraphs (d) and (e) of this subsection,*** 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) ***Recurring software subscription or licensing fees covering a period not to exceed one (1) year from activation of the project;***

(d) The initial software and licensing costs association with each new full-time job created; and

(e) Cost of fixed telecommunications equipment;

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***,***" ***subject to Section 16 of this Act,*** 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 ***a heritage***~~[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) ***Two hundred percent (200%)***~~[One hundred twenty-five percent (125%)]~~ of the federal minimum wage in ***heritage***~~[enhanced incentive]~~ counties; or

(b) ***Three hundred percent (300%)***~~[One hundred fifty percent (150%)]~~ of the federal minimum wage in ***any***~~[all]~~ other counties.

➔Section 14. KRS 154.32-020 is amended to read as follows:

(1) The purposes of this subchapter are:

(a) To provide incentives for eligible companies and to encourage the location or expansion of manufacturing facilities, agribusiness operations, nonretail service or technology facilities, headquarters operations, alternative fuel production facilities, gasification production facilities, energy-efficient alternative fuel production facilities, renewable energy production facilities, carbon dioxide or hydrogen transmission pipelines, coal severing and processing, and hospital operations in the Commonwealth to advance the public purposes of:

1. Creation of new jobs that, but for the incentives offered by the authority, would not exist within the Commonwealth;

2. Creation of new sources of tax revenues for the support of public services provided by the Commonwealth;

3. Improvement in the quality of life for Kentucky citizens through the creation of sustainable jobs with higher salaries; and

4. Providing an economic stimulus to bolster in-state production of vital medications and personal protective equipment; and

(b) To provide ***balanced***~~[enhanced]~~ incentives for companies that locate in ***heritage***~~[enhanced incentive]~~ counties in recognition of the depressed economic conditions in those counties and the increased need for the growth and development caused by the depressed economic conditions.

(2) To qualify for the incentives provided by subsection (3) of this section, an approved company shall:

(a) Incur eligible costs of at least one hundred thousand dollars ($100,000);

(b) Create at least ten (10) new full-time jobs and maintain an annual average number of at least ten (10) new full-time jobs; and

(c) 1. Pay at least ninety percent (90%) of all new full-time employees whose jobs were created as a result of the economic development project a minimum wage of at least ***two hundred percent (200%)***~~[one hundred twenty-five percent (125%)]~~ of the federal minimum wage in ***heritage***~~[enhanced incentive]~~ counties, and ***three hundred percent (300%)***~~[one hundred fifty percent (150%)]~~ of the federal minimum wage in ***any*** other counties throughout the term of the economic development project; and

2. Provide employee benefits for all new full-time jobs equal to at least fifteen percent (15%) of the minimum wage requirement established by subparagraph 1. of this paragraph. If the eligible company does not provide employee benefits equal to at least fifteen percent (15%) of the minimum wage requirement established by subparagraph 1. of this paragraph, the eligible company may still qualify for incentives if it provides the full-time employees hired as a result of the economic development project total hourly compensation equal to or greater than one hundred fifteen percent (115%) of the minimum wage requirement established in subparagraph 1. of this paragraph through increased hourly wages combined with employee benefits; or

(d) Produce vital medications, personal protective equipment, or equipment necessary to produce personal protective equipment.

(3) ***(a)*** The incentives available under this subchapter are as follows:

1.~~[(a)]~~ Tax credits of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040 and the limited liability entity tax imposed under KRS 141.0401 on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the economic development project, as set forth in KRS 141.415 and 154.32-070;

2.~~[(b)]~~ Authorization for the approved company to impose a wage assessment against the gross wages of each new employee subject to the Kentucky income tax as provided in KRS 154.32-090; and

3.~~[(c)]~~ ***An approved company receiving preliminary approval after July 1, 2026, may receive, in addition to the inducements provided under subparagraphs 1. and 2. of this paragraph, an income tax credit as provided under Section 17 of this Act.***

(b) Notwithstanding any provision of law to the contrary, for any economic development project with an eligible investment of more than two hundred million dollars ($200,000,000), the authority may authorize approval to the economic development project based upon terms and incentives applicable to economic development project locating in ***a heritage***~~[an enhanced incentive]~~ county.

(4) The General Assembly hereby finds and declares that the authority granted in this subchapter and the purposes accomplished hereby are proper governmental and public purposes for which public moneys may be expended, and that the inducement of the location of economic development projects within the Commonwealth is of paramount importance to the economic well-being of the Commonwealth.

➔Section 15. KRS 154.32-030 is amended to read as follows:

(1) The application, approval, and review process under this subchapter shall be as follows:

(a) An eligible company with a proposed economic development project may submit an application to the authority. The application shall include the information required by subsection (3) of this section;

(b) Upon review of the application and any additional information submitted, the authority may, by resolution, give preliminary approval to an eligible company and authorize the negotiation and execution of a memorandum of agreement. The memorandum of agreement shall establish a preliminary job target, minimum wage target, including employee benefits, and maximum total approved cost for the economic development project, and shall only allow the recovery of eligible costs incurred ***ninety (90) days prior to receipt of***~~[after]~~ preliminary approval. Upon preliminary approval, the preliminarily approved company may undertake the project in accordance with the memorandum of agreement, and may begin to hire employees that may be counted toward the minimum full-time job requirements established by the memorandum of agreement;

(c) After preliminary approval but before final approval, the authority shall post the preliminarily approved company's name, the location of the economic development project, and the incentives that have been preliminarily approved on the Cabinet for Economic Development's ***website***~~[Web site]~~;

(d) The preliminarily approved company shall submit any documentation required by the authority upon request of the authority;

(e) To obtain final approval, the preliminarily approved company shall submit:

1. Documentation required by the authority to confirm that the requirements established by the memorandum of agreement have been met; and

2. Documentation of official action taken by a local governmental entity detailing the manner and level of local contribution, if applicable.

Upon review and confirmation of the documentation, the authority may, by resolution, give final approval to the preliminarily approved company, and authorize the execution of a tax incentive agreement between the authority and the approved company pursuant to KRS 154.32-040. The tax incentive agreement shall establish an activation date, which shall be within two (2) years of final approval;

(f) 1. On or before the activation date, the approved company shall notify the authority of its intention to activate the tax incentive agreement. The approved company shall submit:

a. Documentation that it has met the minimum full-time job, minimum investment, and minimum wage and employee benefits requirements established by KRS 154.32-020 as of the date of activation; and

b. The confirmed approved costs incurred as of the date of activation, which shall be the total eligible costs that may be recovered by the approved company.

2. If the approved company fails to meet any of the minimum investment, full-time job, or wage requirements, including employee benefits, established by KRS 154.32-020 on the activation date, the tax incentive agreement shall be canceled and the approved company shall not be eligible for incentives.

3. If an approved company meets the minimum investment, full-time job, and wage requirements, including employee benefits, established by KRS 154.32-020, but fails to meet higher job targets and minimum wage targets, including employee benefits, established in the tax incentive agreement, then the provisions of subsection (4) of this section shall apply in determining the incentives for which the approved company qualifies.

4. Upon activation of a tax incentive agreement, the authority shall notify the department, and shall provide the department with the information necessary to monitor and track the incentives taken by the approved company; and

(g) 1. The authority shall monitor the tax incentive agreement at least annually, and the approved company shall submit all documentation necessary for the authority to monitor the agreement.

2. The authority shall, based on the documentation provided, confirm that the approved company is in continued compliance with the provisions of the tax incentive agreement and, therefore, eligible for incentives.

3. Upon annual review, if the approved company meets the minimum job and wage requirements, including employee benefits, established by KRS 154.32-020, but fails to meet the job target and minimum wage target, including employee benefits, established in the tax incentive agreement, then the provisions of subsection (4) of this section shall apply in determining the incentives for which the approved company qualifies in any year.

4. Upon final approval, the authority shall notify the department that an approved company is eligible for incentives and shall provide the department with the information necessary to monitor the use of incentives by the approved company. If, at any time during the term of the tax incentive agreement, an approved company becomes ineligible for incentives, the authority shall notify the department, and the department shall discontinue the availability of incentives for the approved company.

(2) (a) The authority may establish procedures and standards for the review and approval of eligible companies and their economic development projects through the promulgation of administrative regulations in accordance with KRS Chapter 13A.

(b) Standards to be used by the authority in reviewing and approving an eligible company and its economic development project shall include but not be limited to:

1. The creditworthiness of the eligible company;

2. The proposed capital investment to be made;

3. The number of new full-time jobs to be provided for the residents of the Commonwealth and the wages to be paid;

4. Support of the local community; and

5. The likelihood of the economic success of the economic development project.

(3) The application shall include but not be limited to:

(a) The name of the applicant and identification of any affiliates of the applicant who will have some relation to the economic development project;

(b) A description of the economic development project, including its location, the total investment in the economic development project, and total proposed eligible costs;

(c) The projected number of new full-time jobs to be created as a result of the economic development project and identification of any affiliates who may employ persons hired to fill those jobs;

(d) The number of existing full-time jobs at the site of the economic development project on the date of the application and a description and breakdown of the relevant affiliated employers;

(e) Proposed wage and employee benefit amounts for the new full-time jobs to be created as a result of the proposed economic development project;

(f) For proposed economic development projects new to the Commonwealth, certification by the eligible company that the economic development project could reasonably and efficiently locate outside of the Commonwealth and, without the incentives offered by the authority, the eligible company would likely locate outside the Commonwealth;

(g) For eligible companies with an existing location in the Commonwealth considering an expansion, certification that the tax incentives are necessary for the expansion to occur;

(h) A letter of support from a local governmental entity in the city or county where the economic development project will be located; and

(i) Any other information the authority may require.

(4) (a) An approved company that meets the minimum job and wage requirements, including employee benefits established by KRS 154.32-020, but fails to meet the job target and minimum wage target, including employee benefits established by the tax incentive agreement, shall be eligible to receive the incentives authorized by the tax incentive agreement as provided in this subsection.

(b) If, upon activation or annual review, an approved company achieves at least ninety percent (90%) of both the job target and minimum wage target, including employee benefits established by the tax incentive agreement, and no other default has occurred, then the approved company shall be eligible to receive full incentives as provided in the tax incentive agreement.

(c) If, upon activation or annual review, an approved company achieves less than ninety percent (90%) of either the job target or minimum wage target, including employee benefits established in the tax incentive agreement, and no other default has occurred, then the incentives available to the approved company for the following year shall be reduced by a percentage equal to the percentage representing the difference between the job target or minimum wage target, including employee benefits established in the tax incentive agreement, and the actual average number of full-time jobs or average wage, including employee benefits, paid. If both the number of actual average full-time jobs and average wages paid, including employee benefits, are below ninety percent (90%) of the targets on the same measurement date, then the greater percentage reduction of the two (2) shall be applied rather than reducing the incentives available by the sum of the two (2).

(d) If, upon annual review, either the actual number of new full-time jobs or the average wages paid for those jobs, including employee benefits, is less than the minimum requirements established by KRS 154.32-020, then the economic development project may be suspended automatically or, with approval of the authority, terminated.

➔Section 16. KRS 154.32-040 is amended to read as follows:

The authority, upon final approval of a company, may enter into a tax incentive agreement with the approved company. The terms and conditions of the tax incentive agreement shall be negotiated between the authority and the approved company. The terms of the tax incentive agreement shall include but not be limited to the following provisions:

(1) The maximum approved costs that may be recovered over the term of the tax incentive agreement and the annual maximum for approved costs;

(2) That the approved company shall provide the authority with all documentation requested in a manner acceptable to the authority;

(3) Identification of the contribution of the local government to the economic development project, if any;

(4) The activation date, which shall be within two (2) years of final approval;

(5) That the approved company shall implement the activation date by notifying the authority;

(6) That the approved company shall provide documentation satisfactory to the authority within the timeframes required by the authority that it has met the minimum employment, minimum investment, and minimum wage requirements, including employee benefits, established by KRS 154.32-020;

(7) That failure of the approved company to meet any of the minimum job, minimum investment, or minimum wage requirements, including employee benefits, established by KRS 154.32-020, on the activation date shall result in cancellation of the tax incentive agreement;

(8) The term of the agreement, which shall not exceed fifteen (15) years for an economic development project located in ***a heritage***~~[an enhanced incentive]~~ county, or ten (10) years for an economic development project located in ***any other***~~[another]~~ county;

(9) ***Notwithstanding subsection (8) of this section, an approved company that received preliminary approval of an economic development project prior to January 1, 2023, in which wage assessments were provided pursuant to Section 18 of this Act may request a one (1) time extension for up to five (5) years under the following conditions:***

(a) At the time the extension is granted, the approved company has received less than seventy-five percent (75%) of the incentives awarded under the tax incentive agreement; and

(b) The extension does not amend any provision of the tax incentive agreement impacting the scope of the project or the maximum amount of incentives awarded under the tax incentive agreement;

(10) That, if confirmed approved costs are less than the maximum approved costs included in the tax incentive agreement, the confirmed approved costs shall become the maximum amount that may be recovered by the approved company;

(11)~~[(10)]~~ If the economic development project is a leased project, that future rent payments that are included in eligible costs shall be included as confirmed approved costs upon submission of a valid lease agreement executed after preliminary approval;

(12)~~[(11)]~~ Establishment of a job target and minimum wage target, including employee benefits;

(13)~~[(12)]~~ A requirement that the job target and minimum wage target, including employee benefits, be measured:

(a) On the activation date, against the actual new full-time jobs created and the average wages, including employee benefits, paid for those jobs; and

(b) Annually during each year of the agreement, against the annual average of the new full-time jobs and the average wages paid for those jobs, including employee benefits;

(14)~~[(13)]~~ A provision requiring the approved company to notify the authority immediately if the approved company sells or otherwise transfers or disposes of the land on which an economic development project is located, if a lease relating to the economic development project is terminated or lapses, or if the approved company ceases or fundamentally alters operations at the economic development project;

(15)~~[(14)]~~ A provision detailing the reductions in incentives that will occur pursuant to KRS 154.32-030(4) if an approved company fails to meet its job target or minimum wage target, including employee benefits;

(16)~~[(15)]~~ That the agreement may be assigned by the approved company upon the adoption of a resolution by the authority to that effect;

(17)~~[(16)]~~ That the approved company shall make available to the authority all of its records pertaining to the economic development project, including but not limited to payroll records, records relating to eligible costs, and any other records pertaining to the economic development project that the authority may require;

(18)~~[(17)]~~ That the authority may share information with the department for the purposes of monitoring and enforcing the terms of the tax incentive agreement;

(19)~~[(18)]~~ That, if an approved company fails to comply with its obligations under the tax incentive agreement other than the jobs target or minimum wage target, the authority may take any or all of the following actions:

(a) Suspend the incentives available to the approved company;

(b) Terminate the incentives available to the approved company; or

(c) Pursue any other remedy set forth in the tax incentive agreement or to which it may be entitled by law; and

(20)~~[(19)]~~ Any other provisions not inconsistent with this subchapter and determined to be necessary or appropriate by the parties to the tax incentive agreement.

➔Section 17. KRS 154.32-070 is amended to read as follows:

(1) For taxable years beginning after December 31, 2009, an approved company may be eligible for a credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401, that would otherwise be owed by the approved company to the Commonwealth for the approved company's taxable year, on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the economic development project.

(2) The credit allowed the approved company shall be applied against both 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 the taxable year for which the tax return of the approved company is filed, subject to the annual maximum set forth in the tax incentive agreement. Any credit not used in the year in which it was first available may be carried forward to subsequent years, provided that no credit may be carried forward beyond the term of the tax incentive agreement.

(3) The approved company shall not be required to pay estimated tax payments under KRS 141.044 on the Kentucky taxable income, Kentucky gross receipts, or Kentucky gross profits generated by or arising from the eligible project.

(4) The credit provided by this section shall be determined as provided in KRS 141.415.

(5) The amount of incentives allowed ***under subsections (1) to (4) of this section***~~[in any year]~~ shall not exceed the lesser of the tax liability of the approved company related to the economic development project for that year or the annual maximum approved costs set forth in the tax incentive agreement ***in any year***. The incentives shall be allowed for each fiscal year of the approved company during the term of the tax incentive agreement for which a tax return is filed by the approved company.

(6) (a) An approved company receiving preliminary approval after July 1, 2026, may receive, in addition to the inducements provided under subsections (1) to (4) of this section, a credit as provided under Section 1 of this Act in an amount up to:

1. Two and one-quarter percent (2.25%) of the wages paid to full-time employees who are subject to the tax imposed by KRS 141.020 and maintained at an economic development project located in a heritage county; and

2. One and one-quarter percent (1.25%) of the wages paid to full-time employees who are subject to the tax imposed by KRS 141.020 and maintained at an economic development project located in any other county.

(b) The cumulative credits awarded:

1. To an approved company under this subsection for any year of the agreement shall not exceed the annual maximum approved costs of the economic development project as provided in the tax incentive agreement; and

2. Shall not exceed four million dollars ($4,000,000) per taxable year, of which no more than one million dollars ($1,000,000) shall be allowed for wages paid to full-time employees in counties other than heritage counties.

➔Section 18. KRS 154.32-090 is amended to read as follows:

(1) An approved company or, with the authority's consent, an affiliate of an approved company may impose wage assessments against employees as provided in this section if a wage assessment is included in the incentives awarded to the approved company in the tax incentive agreement. The level of wage assessment shall be negotiated as part of the tax incentive agreement.

(2) If an economic development project is located in ***a heritage***~~[an enhanced incentive]~~ county, the approved company or, with the authority's consent, an affiliate of the approved company may require that each employee subject to the tax imposed by KRS 141.020, whose job is determined by the authority to be created as a result of the economic development project, as a condition of employment, agree to an assessment of up to one hundred percent (100%) of the individual income tax rate imposed by KRS 141.020, and that assessment

shall operate as the Commonwealth's wage assessment. Although not required for an economic development project located in ***a heritage*** ~~[an enhanced incentive]~~ county, a local jurisdiction may agree to forgo all or a portion of its local occupational license fee as a local wage assessment.

(3) (a) If the economic development project is not located in ***a heritage*** ~~[an enhanced incentive]~~ county, and is located in a local jurisdiction where:

1. No local occupational license fee is imposed;

2. a. A local occupational license fee greater than or equal to twenty percent (20%) of the individual income tax rate in KRS 141.020 is imposed; and

b. The local jurisdiction agrees to forgo, as the local wage assessment, at least twenty percent (20%) of the individual income tax rate imposed by KRS 141.020 via credits against the local occupational license fee for the affected employees; or

3. a. A local occupational license fee less than twenty percent (20%) of the individual income tax rate in KRS 141.020 is imposed; and

b. The local jurisdiction agrees to forgo the total amount of the local occupational license fee as the local wage assessment; then

(b) An approved company or, with the authority's consent, an affiliate of an approved company may require that each employee subject to tax imposed by KRS 141.020, whose job is determined by the authority to be created as a result of the economic development project, as a condition of employment, agree to pay an assessment of up to sixty percent (60%) of the individual income tax rate imposed by KRS 141.020 and that assessment shall operate as the Commonwealth's wage assessment.

(4) (a) If the economic development project is not located in ***a heritage*** ~~[an enhanced incentive]~~ county, and is located in a local jurisdiction where:

1. a. A local occupational license fee greater than or equal to twenty percent (20%) of the individual income tax rate in KRS 141.020 is imposed; and

b. The local jurisdiction agrees to forgo an amount of the local occupational license fee that is less than twenty percent (20%) of the individual income tax rate in KRS 141.020 as the local wage assessment; or

2. a. A local occupational license fee of lesser than twenty percent (20%) of the individual income tax rate in KRS 141.020 is imposed; and

b. The local jurisdiction agrees to forgo only a portion of the total amount of the local occupational license fee as the local wage assessment; then

(b) An approved company or, with the authority's consent, an affiliate of an approved company may require that each employee subject to tax imposed by KRS 141.020, whose job is determined by the authority to be created as a result of the economic development project, as a condition of employment, agree to pay an assessment equal to three (3) times the forgone local wage assessment rate and that assessment shall operate as the Commonwealth's wage assessment.

(5) If the project is not located in ***a heritage*** ~~[an enhanced incentive]~~ county, and:

(a) Is located in a local jurisdiction that does not impose a local occupational license fee, the local jurisdiction shall be required to provide some alternative inducement satisfactory to the authority at the local level in order for a preliminarily approved company to receive final approval. However, the authority may waive this requirement if there are reasonable circumstances that prevent the local jurisdiction from providing a reasonable inducement; or

(b) Is located in a local jurisdiction that does impose a local occupational license fee, the jurisdiction may request that the authority waive the local occupational license fee requirements established by subsection (3) or (4) of this section if the local jurisdiction offers alternative inducements of similar value satisfactory to the authority. The authority shall review all requests for a waiver, and may waive the local occupational license fee requirements and instead require the local jurisdiction to provide alternative inducements of similar value if the authority determines that the circumstances warrant an alternative contribution by the local jurisdiction.

(6) Each employee paying the assessment shall simultaneously be entitled to a credit against the Kentucky individual income tax required to be withheld under KRS 141.310 equal to the state portion of the assessment and shall be entitled to a credit against the local occupational license tax equal to the local portion of the assessment.

(7) If more than one (1) local jurisdiction imposes an occupational license fee, the local jurisdiction portion of the assessment shall be prorated proportionately among the taxes imposed by the local jurisdictions unless one (1) local jurisdiction agrees to forgo the receipt of these taxes in an amount equal to the local jurisdiction portion of the wage assessment, in which case no proration shall be made.

(8) If a full-time employee subject to state tax imposed by KRS 141.020 is already employed by the approved company at a site other than the site of the economic development project, that full-time employee's job shall be deemed to have been created when the full-time employee is transferred to the site of the economic development project if the full-time employee's existing job is filled with a new full-time employee.

(9) If an approved company elects to impose the assessment as a condition of employment, it shall be authorized to deduct the assessment from each payment of wages to the employee.

(10) Notwithstanding any other provision of the Kentucky Revised Statutes, if an approved company elects not to deduct the assessment from each payment of wages to the employee, but rather requests a reimbursement of state tax imposed by KRS 141.020 or local occupational tax in the aggregate after they have been paid to the state or local jurisdiction, no interest shall be paid by the state or by the local jurisdiction on that reimbursement.

(11) No credit, or portion thereof, shall be allowed against any occupational license fee imposed by or dedicated solely to the board of education in a local jurisdiction.

(12) An approved company imposing an assessment shall make its payroll, books, and records available to the authority or the department upon request, and shall file with the authority or department documentation pertaining to the assessment as the authority or department may require.

(13) Any assessment of the wages of employees of an approved company in connection with their employment at an economic development project shall permanently cease at the expiration of the tax incentive agreement.

➔Section 19. KRS 154.32-100 is amended to read as follows:

(1) ***(a)*** By October 1 of each year, the department shall certify to the authority, in the form of an annual report, aggregate tax credits claimed on tax returns filed during the fiscal year ending June 30 of that year and aggregate assessments taken during the prior calendar year by approved companies with respect to their economic development projects under this subchapter, and shall certify to the authority, within ninety (90) days from the date an approved company has filed its state income tax return, when an approved company has taken tax credits or assessments equal to the total incentives available to the approved company.

(b) For the economic development credit provided under Section 1 of this Act, the department shall report to the authority the total amount of economic development credit awarded for each taxable year, by county, including the following:

1. Each approved company awarded a credit; and

2. The total amount of wages paid to a full-time employee by an approved company and included in the credit computation.

(2) On a semiannual basis, by May 1 and November 1 of each year, the cabinet shall prepare a report of the economic development credits provided under Section 17 of this Act to be submitted to the Governor and the Legislative Research Commission for referral to Interim Joint Committee on Appropriations and Revenue and made available on the cabinet's website. The report shall include but not be limited to the following:

(a) A summary of the economic development credits received and relevant statistics relating to actions taken by the cabinet, including:

1. The approved company;

2. The total amount of economic development credits awarded;

3. The number of full-time jobs created; and

4. The annual maximum approved costs of the economic development project;

(b) The annual total of the economic development credits received; and

(c) Recommendations for legislation or policy actions needed to increase the number of economic development projects.

➔SECTION 20. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) The cabinet shall work closely with the workforce liaison appointed by the president of the Kentucky Community and Technical College System to:

(a) Promote jobs created in the Commonwealth as a result of economic development incentive programs; and

(b) Provide support with the goal of recruitment and placement of system students and graduates into new job and workforce training opportunities as they are made available within the Commonwealth.

(2) The cabinet shall work closely with the system and involve it in policy discussions and planning that may have an effect on community members, system staff, and students.

➔Section 21. KRS 141.383 is amended to read as follows:

(1) As used in this section:

(a) "Above-the-line production crew" has the same meaning as in KRS 154.61-010;

(b) "Approved company" has the same meaning as in KRS 154.61-010;

(c) "Below-the-line production crew" has the same meaning as in KRS 154.61-010;

(d) "Continuous film production" has the same meaning as in KRS 154.61-010;

(e) "Council" means the Kentucky Film Leadership Council created in KRS 154.12-282;

(f) "Loan-out entity" has the same meaning as in KRS 154.61-010;

(g) "Qualifying expenditure" has the same meaning as in KRS 154.61-010;

(h) "Qualifying payroll expenditure" has the same meaning as in KRS 154.61-010;

(i) "Secretary" has the same meaning as in KRS 154.61-010; and

(j) "Tax incentive agreement" has the same meaning as KRS 154.61-010.

(2) (a) There is hereby created a tax credit against the tax imposed under KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205.

(b) The incentive available under paragraph (a) of this section is:

1. A refundable credit for applications approved prior to April 27, 2018;

2. A nonrefundable and nontransferable credit for applications approved on or after April 27, 2018, but before January 1, 2022; and

3. A refundable credit for applications approved on or after January 1, 2022, if the provisions of paragraph (c) of this subsection are met.

(c) 1. The total tax incentive approved under KRS 154.61-020 shall be limited to:

a. One hundred million dollars ($100,000,000) for calendar year 2018 and each calendar year through the calendar year 2021;

b. Seventy-five million dollars ($75,000,000) for the calendar year 2022 and each calendar year thereafter; and

c. Beginning with calendar year 2024, the amount in subdivision b. of this subparagraph shall be allocated accordingly:

i. Twenty-five million dollars ($25,000,000) shall be allocated for all approved companies with a continuous film production; and

ii. On the first day of April 2025, and on April 1 of each calendar year thereafter, any

unused balance allocated under subpart i. of this subdivision for continuous film productions shall be made available for all approved companies with a motion picture or entertainment production.

2. To qualify for the refundable credit, all applicants shall:

a. Begin filming or production in Kentucky within six (6) months of approval by the council; and

b. Complete filming or production in Kentucky within two (2) years of their production start date.

(3) An approved company may receive a refundable tax credit if:

(a) The department has received notification from the council that the approved company has satisfied all requirements of KRS 154.61-020 and 154.61-030; and

(b) The approved company has provided a detailed cost report and sufficient documentation to the council, which has been forwarded by the council to the department, that:

1. The purchases of qualifying expenditures were made after the execution of the tax incentive agreement; and

2. The approved company or loan-out entity has withheld income tax as required by KRS 141.310 on all qualified payroll expenditures, and remitted and certified the withheld amount to the department.

(4) Interest shall not be allowed or paid on any refundable credits provided under this section.

(5) The department may promulgate administrative regulations under KRS Chapter 13A to administer this section.

(6) On or before September 1, 2010, and on or before each September 1 thereafter, for the immediately preceding fiscal year, the department shall report to the council and the Interim Joint Committee on Appropriations and Revenue the names of the approved companies and the amounts of refundable income tax credit claimed.

(7) No later than September 1, 2021, and by November 1 every four (4) years thereafter, the department and the Cabinet for Economic Development shall cooperatively provide historical data related to the tax credit allowed in this section and KRS 154.61-020 and 154.61-030, including data items beginning with tax credits claimed for taxable years beginning on or after January 1, 2018:

(a) The name of the taxpayer claiming the tax credit;

(b) The date that the application was approved and the date the filming or production was completed;

(c) The taxable year in which the taxpayer claimed the tax credit;

(d) The total amount of the tax credit, including any amount denied, any amount applied against a tax liability, any amount refunded, and any amount remaining that may be claimed on a return filed in the future;

(e) Whether the taxpayer is a Kentucky-based company as defined in KRS 154.61-010;

(f) Whether the taxpayer films or produces a:

1. Feature-length film, television program, or industrial film;

2. National touring production of a Broadway show; or

3. Documentary;

(g) Whether the filming or production was performed:

1. Entirely in ***a heritage*** ~~[an enhanced]~~ county; or

2. In whole or in part in any Kentucky county other than in ***a heritage*** ~~[an enhanced incentive]~~ county;

(h) The amount of qualifying expenditures incurred by the taxpayer;

(i) The amount of qualifying payroll expenditures paid to:

1. Resident below-the-line crew; and

2. Nonresident below-the-line production crew;

including the number of crew members in each category;

(j) The amount of qualifying payroll expenditures paid to:

1. Resident above-the-line crew; and

2. Nonresident above-the-line crew;

including the number of crew members in each category; and

(k) A brief description of the type of motion picture or entertainment production project.

(8) 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 22. KRS 154.61-010 is amended to read as follows:

As used in this subchapter:

(1) "Above-the-line production crew" means employees involved with the production of a motion picture or entertainment production whose salaries are negotiated prior to commencement of production, such as actors, directors, producers, and writers;

(2) "Animated production" means a nationally distributed feature-length film created with the rapid display of a sequence of images using 2-D or 3-D graphics of artwork or model positions in order to create an illusion of movement;

(3) "Approved company" means an eligible company approved for incentives provided under KRS 141.383 and 154.61-020;

(4) "Below-the-line production crew" means employees involved with the production of a motion picture or entertainment production except above-the-line production crew. "Below-the-line production crew" includes but is not limited to:

(a) Casting assistants;

(b) Costume design;

(c) Extras;

(d) Gaffers;

(e) Grips;

(f) Location managers;

(g) Production assistants;

(h) Set construction staff; and

(i) Set design staff;

(5) "Cabinet" means the Cabinet for Economic Development;

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

(7) "Compensation" means compensation included in adjusted gross income as defined in KRS 141.010;

(8) "Continuous film production" means a motion picture or entertainment production that:

(a) 1. Has a projected budget of a minimum of ten million dollars ($10,000,000) per calendar year for qualifying expenditures and qualifying payroll expenditures allocated to all qualifying motion picture or entertainment productions to be filmed or produced in Kentucky, with a minimum of one million five hundred thousand dollars ($1,500,000) per production in Kentucky; and

2. Has a minimum of fifty percent (50%) of the funds available and the ability to raise the remaining funds necessary to complete the filming and production, which may be verified by:

a. Bank statements or other financial documents; or

b. A fundraising plan at the request of the council;

(b) Demonstrates a distribution contract for each motion or entertainment production;

(c) Films and produces a minimum of twelve (12) or more days per production within the Commonwealth; and

(d) Maintains:

1. An apprenticeship program or on-the-job training program as defined in KRS 343.010; or

2. Partners with a film studies program with an accredited institution of postsecondary education located in the Commonwealth;

(9) "Council" means the Kentucky Film Leadership Council created in KRS 154.12-282;

(10) "Documentary" means a production based upon factual information and not subjective interjections;

(11) "Eligible company" means any person that intends to film or produce a motion picture or entertainment production in the Commonwealth;

(12) "Employee" has the same meaning as in KRS 141.010, and, for purposes of this subchapter, also may include the employees or independent contractors of an approved company or the employees of a loan-out entity engaged by an approved company if they meet the requirements of KRS 141.310;

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

~~(14)]~~"Feature-length film" means a live-action or animated production that is:

(a) More than thirty (30) minutes in length; and

(b) Produced for distribution in theaters or via digital format, including but not limited to DVD, Internet, or mobile electronic devices;

(14) "Heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97);

(15) "Industrial film" means a business-to-business film that may be viewed by the public, including but not limited to videos used for training or for viewing at a trade show;

(16) "Kentucky-based company" has the same meaning as in KRS 164.6011;

(17) "Loan-out entity" means a corporation, partnership, limited liability company, or other entity through which an artist or other person is loaned out to perform services for the approved company. A loan-out entity shall be registered and in good standing with the Kentucky Secretary of State. Notwithstanding the business organization, the loan-out entity and all employees of and other persons performing services for the loan-out entity shall be subject to all applicable provisions of the Kentucky personal income tax and any applicable payroll or other tax provisions;

(18) (a) "Motion picture or entertainment production" means:

1. The following if filmed in whole or in part, or produced in whole or in part, in the Commonwealth:

a. A feature-length film;

b. A television program;

c. An industrial film; or

d. A documentary; or

2. A national touring production of a Broadway show produced in Kentucky.

(b) "Motion picture or entertainment production" does not include the filming or production of obscene material or television coverage of news or athletic events;

(19) "Obscene" has the same meaning as in KRS 531.010;

(20) "Person" has the same meaning as in KRS 141.010;

(21) (a) "Qualifying expenditure" means expenditures made in the Commonwealth for the following if directly used in or for a motion picture or entertainment production:

1. The production script and synopsis;
2. Set construction and operations, wardrobe, accessories, and related services;
3. Lease or rental of real property in Kentucky as a set location;
4. Photography, sound synchronization, lighting, and related services;
5. Editing and related services;
6. Rental of facilities and equipment;
7. Vehicle leases;
8. Food; and
9. Accommodations.

(b) "Qualifying expenditure" does not include Kentucky sales and use tax paid by the approved company on the qualifying expenditure;

(22) "Qualifying payroll expenditure" means compensation paid to above-the-line crew and below-the line crew while working on a motion picture or entertainment production in the Commonwealth if the compensation is for services performed in the Commonwealth;

(23) "Resident" has the same meaning as in KRS 141.010;

(24) "Secretary" means the secretary of the Cabinet for Economic Development;

(25) "Tax incentive agreement" means the agreement entered into pursuant to KRS 154.61-030 between the council and the approved company; and

(26) "Television program" means any live-action or animated production or documentary, including but not limited to:

(a) An episodic series;

(b) A miniseries;

(c) A television movie; or

(d) A television pilot;

that is produced for distribution on television via broadcast, cable, or any digital format, including but not limited to cable, satellite, internet, or mobile electronic devices.

➔Section 23. KRS 154.61-020 is amended to read as follows:

(1) The purposes of KRS 141.383 and this subchapter are to encourage:

(a) The film and entertainment industry to choose locations in the Commonwealth for the filming and production of motion picture or entertainment productions;

(b) The development of a film and entertainment industry in Kentucky;

(c) Increased employment opportunities for the citizens of the Commonwealth within the film and entertainment industry; and

(d) The development of a production and postproduction infrastructure in the Commonwealth for film production and touring Broadway show production facilities containing state-of-the-art technologies.

(2) The council, together with the Department of Revenue, shall administer the tax credit established by KRS 141.383, this section, and KRS 154.61-030.

(3) To qualify for the tax incentive provided in subsection (5) of this section, the following requirements shall be met:

(a) For an approved company that is also a Kentucky-based company that:

1. Films or produces a feature-length film, television program, or industrial film in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be one hundred twenty-five thousand dollars ($125,000);

2. Produces a national touring production of a Broadway show in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be twenty thousand dollars ($20,000); or

3. Films or produces a documentary in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be ten thousand dollars ($10,000); and

(b) For an approved company that is not a Kentucky-based company that:

1. Films or produces a feature-length film, television program, or industrial film in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be two hundred fifty thousand dollars ($250,000); or

2. Films or produces a documentary in whole or in part in the Commonwealth or that produces a national touring production of a Broadway show, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be twenty thousand dollars ($20,000).

(4) (a) Beginning on January 1, 2022, the total tax incentive approved under KRS 141.383 and this subchapter shall be limited to seventy-five million dollars ($75,000,000) for calendar year 2022 and each calendar year thereafter.

(b) Beginning with calendar year 2024:

1. Twenty-five million dollars ($25,000,000) shall be allocated for all approved companies with a continuous film production; and

2. On the first day of July of each calendar year, any unused balance of the amount allocated under subparagraph 1. of this paragraph for continuous film productions shall be made available for all approved companies with motion picture or entertainment productions.

(5) (a) To qualify for the tax incentive available under KRS 141.383 and this subchapter all applicants shall:

1. Begin filming or production in Kentucky within six (6) months of approval by the council; and

2. Complete filming or production in Kentucky within two (2) years of the filming or production start date.

(b) The tax credit shall be against the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401, and shall be refundable as provided in KRS 141.383.

(c) 1. For a motion picture or entertainment production or continuous film production filmed or produced in its entirety in ***a heritage*** ~~[an enhanced incentive]~~ county, the amount of the incentive shall be equal to thirty-five percent (35%) of the approved company's:

a. Qualifying expenditures;

b. Qualifying payroll expenditures paid to resident and nonresident below-the-line production crew; and

c. Qualifying payroll expenditures paid to resident and nonresident above-the-line production crew not to exceed one million dollars ($1,000,000) in payroll expenditures per employee.

2. a. To the extent the approved company films or produces a motion picture or entertainment production or continuous film production in part in ***a heritage*** ~~[an enhanced incentive]~~ county and in part a Kentucky county that is not ***a heritage*** ~~[an enhanced incentive]~~ county, the approved company shall be eligible to receive the incentives provided in this paragraph for those expenditures incurred in the ***heritage*** ~~[enhanced incentive]~~ county and all other expenditures shall be subject to the incentives provided in paragraph (d) of this subsection.

b. The approved company shall track the requisite expenditures by county. If the approved company can demonstrate to the satisfaction of the cabinet that it is not practical to use a separate accounting method to determine the expenditures by county, the approved company shall determine the correct expenditures by county using an alternative method approved by the cabinet.

(d) For a motion picture or entertainment production or continuous film production filmed or produced in whole or in part in any Kentucky county other than in ***a heritage*** ~~[an enhanced incentive]~~ county, the amount of the incentive shall be equal to:

1. Thirty percent (30%) of the approved company's:

a. Qualifying expenditures;

b. Qualifying payroll expenditures paid to below-the-line production crew that are not residents; and

c. Qualifying payroll expenditures paid to above-the-line production crew that are not residents, not to exceed one million dollars ($1,000,000) in payroll expenditures per employee; and

2. Thirty-five percent (35%) of the approved company's:

a. Qualifying payroll expenditures paid to resident below-the-line production crew; and

b. Qualifying payroll expenditures paid to resident above-the-line production crew not to exceed one million dollars ($1,000,000) in payroll expenditures per employee.

➔Section 24. KRS 148.851 is amended to read as follows:

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

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

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

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

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

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

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

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

(8) "Eligible costs" means:

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

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

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

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

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

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

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

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

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

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

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

(a) On-site dining facilities;

(b) Room service;

(c) Catering: and

(d) Meeting space;

(12)~~[(13)]~~ ***"Heritage county" means a county where the county population ranking determined by the Cabinet for Economic Development under Section 7 of this Act scores greater than or equal to ninety-seven (97);***

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

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

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

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

2. Involves the restoration or rehabilitation of a structure that:

a. Is listed individually on the National Register of Historic Places; or

b. Is located in the National Register Historic District; and

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

3. Is an integral part of a major convention or sports facility;

4. Is located:

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

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

5. Is located on property:

a. Owned by the Commonwealth, or leased by the Commonwealth from the federal government;

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

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

6. Is located on property:

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

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

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

8. Has not less than five hundred (500) guest rooms; or

(b) 1. Is located:

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

b. In a county, the boundaries of which:

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

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

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

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

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

3. Contains accommodations for:

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

b. Relaxation, including a spa;

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

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

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

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

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

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

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

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

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

1. A cultural or historical site;

2. A recreational facility;

3. An entertainment facility;

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

5. A Kentucky crafts and products center;

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

(21) "Tourism development project" means:

(a) A tourism attraction project;

(b) A theme restaurant destination attraction project;

(c) An entertainment destination center project; or

(d) A lodging facility project.

➔Section 25. KRS 148.853 is amended to read as follows:

(1) The General Assembly finds and declares that:

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

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

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

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

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

(a) For a tourism attraction project:

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

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

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

(b) For an entertainment destination center project:

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

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

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

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

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

b. Maintain at least one (1) major theme restaurant and at least three (3) additional entertainment venues, including but not limited to live entertainment, multiplex theaters,

large-format theater, motion simulators, family entertainment centers, concert halls, virtual reality or other interactive games, museums, exhibitions, or other cultural and leisure-time activities; and

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

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

(c) For a theme restaurant destination attraction project:

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

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

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

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

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

4. The theme restaurant destination attraction project shall:

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

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

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

(d) For a lodging facility project defined in KRS 148.851(15)(a):

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

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

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

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

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

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

(e) For a lodging facility project defined in KRS 148.851(15)(b):

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

2. The lodging facility shall:

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

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

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

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

(3) (a) The incentives offered to an approved company under the Kentucky Tourism Development Act may include a sales tax incentive based on the Kentucky sales tax imposed on sales generated by or arising at the tourism development project.

(b) 1. For a tourism development project other than a lodging facility project described in subparagraph 4. or 5. of this paragraph:

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

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

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

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

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

3. For applications considered after June 27, 2025, including projects related to property to which the title passed from a seller to a buyer on or after March 1, 2025, a tourism attraction project located in ***a heritage*** ~~[an enhanced incentive]~~ county with a population equal to or less than twenty thousand (20,000) based on the most recent decennial census at the time the eligible company becomes an approved company as provided in KRS 148.857(6):

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

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

4. For a lodging facility project described in KRS 148.851(15)(a)5. or 6.:

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

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

5. For a lodging facility project described in KRS 148.851(15)(b), a sales tax incentive that shall:

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

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

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

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

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

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

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

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

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

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

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

➔Section 26. KRS 154.20-230 is amended to read as follows:

As used in KRS 154.20-230 to 154.20-240:

(1) "Application" means a document submitted by small businesses and investors, on a form supplied by the authority, for the purpose of requesting certification to participate in the program and to apply for a credit;

(2) "Authority" means the Kentucky Economic Development Finance Authority;

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

(4) "Credit" means the nonrefundable angel investor tax credit established by KRS 141.396 and awarded by the authority pursuant to KRS 154.20-236;

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

(6)~~["Enhanced incentive counties" has the same meaning as in KRS 154.32-010;~~

~~(7)]~~ "Entity" means any 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;

(7)~~[(8)]~~ "Fee" means a nonrefundable application fee in an amount set by the authority, to be collected by the authority to offset the cost of administering KRS 154.20-230 to 154.20-240;

(8)~~[(9)]~~ "Full-time employee" means a person that is required to work a minimum of thirty-five (35) hours per week and is subject to the tax imposed by KRS 141.020;

(9) "Heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97);

(10) "Knowledge-based" has the same meaning as in KRS 164.6011;

(11) (a) "Qualified activity" means any knowledge-based activity related to the new economy focus areas of the Office of Entrepreneurship and Innovation, including but not limited to:

1. Bioscience;

2. Environmental and energy technology;

3. Health and human development;

4. Information technology and communications; and

5. Materials science and advanced manufacturing.

(b) A "qualified activity" does not include any activity principally engaged in by financial institutions, commercial development companies, credit companies, financial or investment advisors, brokerage or financial firms, other investment funds or investment fund managers, charitable and religious institutions, oil and gas exploration companies, insurance companies, residential housing developers, retail establishments, or any activity that the authority determines in its discretion to be against the public interest, against the purposes of KRS 154.20-230 to 154.20-240, or in violation of any law. Notwithstanding this paragraph, an entity involved in other technological advances may be deemed to be engaged in qualified activity, as determined by the executive director of the Office of Entrepreneurship and Innovation;

(12) "Qualified investment" means an investment meeting the requirements of KRS 154.20-234 for qualified investments, and certified pursuant to KRS 154.20-236;

(13) "Qualified investor" means an individual investor meeting the requirements of KRS 154.20-234 for qualified investors, and certified pursuant to KRS 154.20-236; and

(14) "Qualified small business" means an entity meeting the requirements of KRS 154.20-234 for qualified small businesses, and certified pursuant to KRS 154.20-236.

➔Section 27. KRS 154.20-236 is amended to read as follows:

(1) The total amount of credit that may be awarded by the authority in each calendar year, pursuant to KRS 154.20-230 to 154.20-240, to:

(a) All qualified investors shall be no more than three million dollars ($3,000,000); and

(b) Any individual qualified investor shall be no more than two hundred thousand dollars ($200,000).

(2) (a) The total amount of credit that may be awarded by the authority to:

1. All qualified investors pursuant to KRS 154.20-230 to 154.20-240; and

2. All investors in all investment funds pursuant to KRS 154.20-250 to 154.20-284;

shall be no more than forty million dollars ($40,000,000) in total for all years prior to December 31, 2020.

(b) Beginning on or after January 1, 2021, the amount of credit that may be awarded by the authority in each calendar year shall be equal to the amount provided in subsection (1) of this section.

(c) The authority shall not grant preliminary or final approval for applications received for the Kentucky Angel Investment Act on or after January 1, 2019, but may resume approving applications received on or after January 1, 2021.

(3) The authority shall, by promulgation of an administrative regulation, develop a standard procedure for:

(a) Small businesses and investors to request certification for participation in the program;

(b) Qualified investors to request certification of a planned investment as being a qualified investment, and to apply for a credit; and

(c) The award of credits to qualified investors making qualified investments.

(4) At a minimum, the procedure shall:

(a) Require small businesses and investors to demonstrate to the authority that they, and any planned investment, satisfy all requirements provided in KRS 154.20-234;

(b) Provide small businesses and investors with a standard written application form to request certification and apply for a credit;

(c) Require the payment of a fee; and

(d) Mandate a time period for the duration of certifications granted to small businesses and investors, and the procedures for recertification thereof.

(5) The amount of credit awarded shall not exceed:

(a) Twenty-five percent (25%) of the amount of the qualified investment, if the principal place of business of the qualified small business is outside ***a heritage*** ~~[an enhanced incentive]~~ county; or

(b) Forty percent (40%) of the amount of the qualified investment, if the principal place of business of the qualified small business is in ***a heritage*** ~~[an enhanced incentive]~~ county.

(6) Upon approval of a credit, the authority shall reduce the amount of available credit by the amount of credit approved to the qualified investor.

(7) The authority may, in effectuating this section, contract with a science and technology organization as defined in KRS 164.6011 to administer and manage the certification and application procedure established by the authority. However, the final approval of all credits shall be made solely by the authority.

➔Section 28. KRS 154.34-010 is amended to read as follows:

As used in this subchapter:

(1) "Affiliate" has the same meaning as in KRS 154.32-010;

(2) "Agribusiness" has the same meaning as in KRS 154.32-010;

(3) "Alternative fuel production" has the same meaning as in KRS 154.32-010;

(4) "Approved company" means an eligible company approved under KRS 154.34-070 for a reinvestment project;

(5) "Approved costs" means the eligible equipment and related costs approved by the authority that may be recovered by an approved company through the incentives authorized by this subchapter;

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

(7) "Capital lease" has the same meaning as in KRS 154.32-010;

(8) "Carbon dioxide or hydrogen transmission pipeline" has the same meaning as in KRS 154.32-010;

(9) "Coal severing and processing" means activities resulting in an eligible company being subject to the tax imposed by KRS Chapter 143;

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

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

(12) (a) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or any other entity:

1. Employing or intending to employ a minimum of twenty-five (25) persons on a full-time bases; and

2. Engaged in or planning to engage in one (1) or more of the following activities:

a. Headquarter operations;

b. Manufacturing;

c. Agribusiness;

d. Nonretail service or technology;

e. Coal severing and processing;

f. Alternative fuel, gasification, energy-efficient alternative fuel, or renewable energy production;

g. Carbon dioxide or hydrogen transmission pipeline operations; or

h. Hospital operations;

at the same facility located and operating within the Commonwealth on a permanent basis for a reasonable period of time preceding the request for approval of a reinvestment project by the authority, including facilities where operations have been temporarily suspended and which meet the standards under KRS 154.34-070 and related administrative regulations promulgated by the authority.

(b) "Eligible company" does not include any company for which the primary activity to be conducted within the Commonwealth is:

1. Forestry;

2. Fishing;

3. The provision of utilities;

4. Construction;

5. Wholesale trade;

6. Retail trade;

7. Real estate;

8. Rental and leasing;

9. Educational services;

10. Accommodation and food services; or

11. Public administration services;

(13) (a) "Eligible equipment and related costs" means:

1. Obligations incurred for labor and to vendors, contractors, subcontractors, builders, suppliers, deliverymen, and materialmen in connection with the acquisition, construction, equipping, rehabilitation, and installation of a reinvestment project;

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

3. All costs of architectural and engineering services, including estimates, plans and specifications, preliminary investigations, and supervision of construction, rehabilitation and installation, as well as for the performance of all the duties required by or consequent upon the acquisition, construction, equipping, rehabilitation, and installation of a reinvestment project;

4. All costs required to be paid under the terms of any contract for the acquisition, construction, equipping, rehabilitation, and installation of a reinvestment project;

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

6. All other costs of a nature comparable to those described in this paragraph.

(b) "Eligible equipment and related costs" does not include costs related to the replacement or repair of existing machinery or equipment resulting from normal wear and usage of the machinery or equipment;

(14) "Energy-efficient alternative fuel production" has the same meaning as in KRS 154.32-010;

(15)~~["Enhanced incentive counties" has the same meaning as in KRS 154.32-010;~~

~~(16)]~~ "Equipment" means manufacturing machinery equipment, computers, furnishings, fixtures, and other assets installed by the approved company as part of the reinvestment project;

(16) ~~[(17)]~~ "Final approval" means the action taken by the authority designating a preliminarily approved eligible company as an approved company to receive incentives under this subchapter;

(17) ~~[(18)]~~ "Full-time employee" means a person who:

(a) Is required to work a minimum of thirty-five (35) hours per week; or

(b) Works remotely away from the reinvestment project if all the following conditions are met:

1. Is a Kentucky resident;

2. Whose job was created or retained as a result of the reinvestment project; and

3. Whose payroll is expensed to the reinvestment project;

(18) ~~[(19)]~~ "Gasification production" has the same meaning as in KRS 154.32-010;

(19) ~~[(20)]~~ "Headquarters" has the same meaning as in KRS 154.32-010;

(20) "Heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97);

(21) "Hospital" has the same meaning as in KRS 154.32-010;

(22) "Incentives" means the Kentucky tax credit as prescribed in this subchapter;

(23) "Kentucky gross profits" has the same meaning as in KRS 141.0401;

(24) "Kentucky gross receipts" has the same meaning as in KRS 141.0401;

(25) "Leased project" has the same meaning as in KRS 154.32-010;

(26) "Manufacturing" has the same meaning as in KRS 154.32-010;

(27) "Nonretail service or technology" has the same meaning as in KRS 154.32-010;

(28) "Personal protective equipment" has the same meaning as in KRS 154.32-010;

(29) "Preliminary approval" means the action taken by the authority designating an eligible company as a preliminarily approved company;

(30) "Reinvestment agreement" means the agreement entered into pursuant to KRS 154.34-080 between the authority and an approved company with respect to a reinvestment project;

(31) "Reinvestment project" means:

(a) A reinvestment in the facility of an eligible company and in the full-time employees of an eligible company through the acquisition, construction, and installation of new equipment and, with respect thereto, the construction, rehabilitation, and installation of improvements to facilities necessary to house the new equipment, including surveys; installation of utilities, including water, sewer, sewage treatment, gas, electricity, communications, and similar facilities; or off-site construction of utility extensions to the boundaries of the real estate on which the facilities are located;

(b) The expenditure of at least one million dollars ($1,000,000) in eligible equipment and related costs for leased projects and at least two million five hundred thousand dollars ($2,500,000) in eligible equipment and related costs for all other reinvestment projects; and

(c) A reinvestment in a facility in order to allow for the production of vital medications, personal protective equipment, or equipment necessary to produce personal protective equipment;

(32) "Renewable energy production" has the same meaning as in KRS 154.32-010; and

(33) "Vital medications" has the same meaning as in KRS 154.32-010.

➔Section 29. KRS 164.6021 is amended to read as follows:

(1) The Cabinet for Economic Development shall manage the Kentucky enterprise fund to provide capital to small and medium-size, Kentucky-based companies to undertake feasibility, concept development, research and development, or commercialization work.

(2) The purpose of the Kentucky enterprise fund is to:

(a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth in Kentucky-based companies;

(b) Support feasibility, concept development, research and development, or commercialization activities that have clear potential to lead to commercially successful products, processes, or services within a reasonable period of time;

(c) Stimulate growth-oriented enterprises within the Commonwealth;

(d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's colleges and universities, and research organizations;

(e) Promote research and development and commercialization activities that are market-oriented; and

(f) Support small and medium-sized companies.

(3) The Kentucky enterprise fund shall be used to fund qualified companies in accordance with this section as follows:

(a) Grants of up to fifty thousand dollars ($50,000) for companies exploring the feasibility of technology commercialization or projects related to feasibility studies, such as incubator and accelerator programs;

(b) Funding of up to two hundred fifty thousand dollars ($250,000) for companies in the concept development phase of technology commercialization;

(c) Funding of up to five hundred thousand dollars ($500,000) for companies advancing and promoting the program goals, as outlined in subsection (2) of this section; and

(d) For new investments made on or after July 1, 2021, no qualified company can receive a total investment from the fund in excess of up to five hundred thousand dollars ($500,000).

(4) Beginning July 1, 2021, the cabinet shall allocate at least twenty percent (20%) of the annual allotment of funds for the Kentucky enterprise fund to qualified companies located in rural or ***heritage*** ~~[enhanced incentive]~~ counties~~[, as certified under KRS 154.32-050]~~, and at least twenty percent (20%) of the annual allotment of funds to qualified companies located in Opportunity Zones, as designated by the Commonwealth and certified by the Secretary of the United States Treasury. ***As used in this subsection, "heritage county" means a county where the county population ranking determined by the cabinet under Section 7 of this Act scores greater than or equal to ninety-seven (97).***

(5) For all funding totaling more than thirty thousand dollars ($30,000), the science and technology organization or any entity designated by the executive director of the Office of Entrepreneurship and Innovation shall receive an equity interest in the qualified company, such as a general or limited partnership interest, limited liability company interest, common or preferred stock with or without voting rights and without regard to seniority position, forms of subordinate or convertible unsecured debt, or both, with warrants, rights, or other means of equity conversion attached, a near equity interest such as a simple agreement for future equity or "SAFE agreement", or other convertible debt instruments that are determined to qualify as an adequate investment interest by the executive director of the Office of Entrepreneurship and Innovation.

➔SECTION 30. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

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

(b) "Certified mixed-use rehabilitation" means the development, rehabilitation, renovation, and improvement of a qualified abandoned building that will serve at least two (2) of the following purposes, in its finished, rehabilitated state:

1. Commercial;

2. Residential; or

3. Retail;

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

(d) "Eligible rehabilitation expenses" means all costs incurred in association with the certified mixed-use rehabilitation of a qualified abandoned building and includes:

1. Building and construction materials;

2. The costs of fixture installation; and

3. Labor and mechanics costs;

(e) "Qualified abandoned building" means a vacant structure that:

1. Contains a minimum of two hundred twenty-five thousand (225,000) square feet of gross leasable area;

2. Is located within an urban core area;

3. Has a minimum vacancy rate by square footage of at least fifty percent (50%) for a continuous period of at least six (6) months immediately prior to the certified mixed-use rehabilitation; and

4. Is not a project that has been awarded the certified rehabilitation credit under KRS 171.397;

(f) "Taxpayer" means any person or entity who:

1. a. Incurs eligible rehabilitation expenses for a certified mixed-use rehabilitation; or

b. Is the recipient of a certified mixed-use rehabilitation credit which is transferred as provided in subsection (7)(b) of this section; and

2. Is subject to the taxes imposed by KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, 141.020, 304.3-270, or 141.040 and 141.0401; and

(g) "Urban core area" means a central, downtown part of this state that is located within a metropolitan statistical area with a population of greater than three hundred thousand (300,000) based on the most recent federal decennial census.

(2) There is hereby created the certified mixed-use rehabilitation credit.

(3) For taxable years beginning on or after January 1, 2028, but before January 1, 2032, a taxpayer shall be allowed a refundable, transferrable certified mixed-use rehabilitation credit against the taxes imposed by:

(a) KRS 141.020 or 141.040 and 141.0401, with the ordering of the credits as provided in Section 2 of this Act; or

(b) KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, and 304.3-270, with the ordering of the credits as provided in Section 33 of this Act.

(4) The credit shall be:

(a) Equal to twenty percent (20%) of the eligible rehabilitation expenses incurred during the taxable year; and

(b) Limited to:

1. Twenty-five million dollars ($25,000,000) per eligible taxpayer; and

2. A total of fifty million dollars ($50,000,000) for all tax credits preliminarily approved for each calendar year in which the credit is available.

(5) (a) An eligible taxpayer seeking the credit provided under this section shall file an application with the authority for preliminary approval by December 31, 2027, and by each December 31 thereafter of the calendar year immediately preceding in the calendar year in which the certified mixed-use rehabilitation will take place, and include the following:

1. Project location;

2. Proposed start and completion date of the project;

3. Anticipated costs to be incurred;

4. Verification that the building meets the requirements established in subsection (1) of this section as a qualified abandoned building;

5. Detailed rehabilitation plans that outline the projected use of the qualified abandoned building in its final, rehabilitated state; and

6. Any other information the authority may require to provide preliminary project approval.

(b) The authority shall provide preliminary approval with the anticipated credit amount to be awarded by January 15, 2028, and each January 15 thereafter as long as the credit is available and shall:

1. Create the application by which a taxpayer may apply for preliminary and final credit approval;

2. Provide notification to the taxpayer of preliminary and final credit approval; and

3. Promulgate administrative regulations in accordance with KRS Chapter 13A necessary to implement this section.

(6) (a) If the total amount of credits granted preliminary approval for a calendar year under subsection (5) of this section:

1. Exceeds fifty million dollars ($50,000,000), each taxpayer shall receive no more than its applicable pro rata share as determined by the authority; or

2. Is less than fifty million dollars ($50,000,000), the difference between the amount of credits preliminarily approved and the maximum amount available in accordance with subsection (4) of this section, shall be added to the maximum amount of credit available for preliminary approval in the next calendar year.

(b) In the event that credits are divided pro rata among all applicants, the authority shall provide notification to the taxpayer with preliminary credit approval.

(7) Within thirty (30) days of completion of the certified mixed-use rehabilitation project, the taxpayer shall:

(a) Submit an application to the authority for final credit approval;

(b) Include an irrevocable election to:

1. Use the credit; or

2. Transfer the credit, in which case the following shall be included:

a. Transferee's taxpayer identification number; and

b. Amount of credit to be transferred; and

(c) Provide documentation of final project dates and actual costs incurred as projected in subsection (5) of this section.

(8) Within sixty (60) days of the taxpayer's final application submission, the authority shall:

(a) Review and verify all actual eligible rehabilitation expenses incurred; and

(b) Provide notification of final credit determination to the taxpayer and the department, which may be claimed on the taxpayer's return for the taxable year.

(9) The authority shall notify the department following approval of a certified mixed-use rehabilitation project and include:

(a) The name and taxpayer identification number of each approved taxpayer;

(b) The location of each certified-mixed use rehabilitation project approved;

(c) The total amount of credit available for each taxpayer; and

(d) Any other information required by the department.

➔SECTION 31. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Approved taxpayer" means any person or entity:

1. Subject to the taxes imposed in KRS 141.020 or 141.040 and 141.0401; and

2. That is the recipient of a certified rehabilitation credit or transferred credit as determined by the authority in accordance with Section 30 of this Act;

(b) "Authority" has the same meaning as in Section 30 of this Act;

(c) "Certified mixed-use rehabilitation" has the same meaning as in Section 30 of this Act; and

(d) "Eligible rehabilitation expenses" has the same meaning as in Section 30 of this Act.

(2) (a) For taxable years beginning on or after January 1, 2028, but before January 1, 2032, there shall be allowed a refundable, transferrable certified rehabilitation credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of the credit as provided by in Section 2 of this Act.

(b) In the case of a pass-through entity not subject to the tax imposed by KRS 141.040, the credit shall be taken against the tax imposed by KRS 141.0401 and shall be claimed by the partners, members, or shareholders in accordance with their proportionate share of income.

(c) The amount of the credit that may be claimed in a taxable year by the approved taxpayer shall:

1. Be equal to the amount determined and approved by the authority in accordance with Section 30 of this Act; and

2. Not exceed twenty-five million dollars ($25,000,000).

(3) A taxpayer receiving the credit may elect to transfer the credit to another taxpayer or insurer as provided by subsection (7)(b) of Section 30 of this Act.

(4) The department may promulgate administrative regulations in accordance with KRS Chapter 13A to establish policies and procedures to implement this section.

(5) (a) By November 1 of each year in which a certified mixed-use rehabilitation credit is claimed, the department, working with the authority, shall report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue, the following:

1. The location of each certified mixed-use rehabilitation project;

2. The total amount of credit claimed by project location for the taxable year;

3. The total amount of credit claimed by each approved taxpayer; and

4. The total amount of all credit claimed by all taxpayers 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 32. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO READ AS FOLLOWS:

For calendar years beginning on or after January 1, 2028, but before January 1, 2032, a taxpayer incurring eligible rehabilitation expenses shall be allowed a refundable, transferable credit against the taxes imposed by KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, or 304.3-270, with the ordering of the credit as provided by in Section 33 of this Act.

➔SECTION 33. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO READ AS FOLLOWS:

(1) For purposes of the credit permitted by Section 30 of this Act, if a taxpayer is entitled to more than one (1) of the tax credits allowed against the taxes imposed by KRS 136.320, 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, and 304.3-270, the priority of application and use of the credit shall be determined as follows:

(a) The nonrefundable credits shall be taken in the following order:

1. The Kentucky Investment Fund Act credit permitted by KRS 154.20-258; and

2. The New Markets Development Program credit permitted by KRS 141.434; and

(b) After the application of the nonrefundable credits in paragraph (a) of this subsection, the refundable certified mixed-use rehabilitation credit permitted by Section 32 of this Act shall be taken.

(2) A taxpayer claiming a credit against any of the insurance premiums taxes imposed by KRS 136.320, 136.330, 136.340, 136.350, 136.370, or 136.390 shall not be required to pay additional retaliatory tax imposed by KRS 304.3-270.

(3) The Department of Revenue shall include information about this credit in the report required under subsection (5) of Section 31 of this Act.

➔Section 34. KRS 148.853 is amended to read as follows:

(1) The General Assembly finds and declares that:

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

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

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

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

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

(a) For a tourism attraction project:

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

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

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

(b) For an entertainment destination center project:

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

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

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

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

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

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

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

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

(c) For a theme restaurant destination attraction project:

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

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

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

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

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

4. The theme restaurant destination attraction project shall:

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

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

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

(d) For a lodging facility project defined in KRS 148.851(15)(a):

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

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

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

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

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

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

(e) For a lodging facility project defined in KRS 148.851(15)(b):

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

2. The lodging facility shall:

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

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

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

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

(3) (a) The incentives offered to an approved company under the Kentucky Tourism Development Act may include a sales tax incentive based on the Kentucky sales tax imposed on sales generated by or arising at the tourism development project.

(b) 1. For a tourism development project other than a lodging facility project described in subparagraph 4. or 5. of this paragraph:

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

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

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

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

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

3. For applications considered after June 27, 2025, including projects related to property to which the title passed from a seller to a buyer on or after March 1, 2025, a tourism attraction project located in an enhanced incentive county with a population equal to or less than twenty thousand (20,000) based on the most recent decennial census at the time the eligible company becomes an approved company as provided in KRS 148.857(6):

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

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

4. For a lodging facility project described in KRS 148.851(15)(a)5. or 6.:

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

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

5. For a lodging facility project described in KRS 148.851(15)(b), a sales tax incentive that shall:

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

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

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

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

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

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

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

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

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

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

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

9. a. If an approved company:

i. Qualified for an incentive under subsection (2)(b) of this section;

ii. Had a tourism development agreement in place under subsection (2)(b) of this section that expired; and

iii. Has not been a party to any tourism development agreement relating to the entertainment destination center in the most recently preceding five (5) years;

the approved company may enter into a new agreement under subparagraph 1. of this paragraph.

b. The approved company shall agree to:

i. Reinvest in the original entertainment destination center one hundred percent (100%) of any incentives received under the new agreement into the project; and

ii. Report to the authority at the end of each fiscal year the amount of incentives used and how the incentives were reinvested in the original entertainment destination center.

➔Section 35. KRS 65.490 is amended to read as follows:

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

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

(2) "Development area" means an area no more than six (6) square miles, designated in need of public improvements by a local or state government in a county containing a consolidated local government or a city of the first class, a project area as defined in KRS 99.615, or a public project as defined in KRS 58.010 in a county containing a consolidated local government or a city of the first class. "Development area" includes an existing economic development asset;

(3) ***"Existing development area" has the same meaning as in KRS 65.494;***

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

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

(6) "New development area" has the same meaning as in KRS 65.494;

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

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

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

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

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

(12)~~[(10)]~~ "Pilot program" means a tax increment financing program or a grant program created by an agency within a consolidated local government or a county containing a city of the first class which shall exist for a period of***:***

(a) Twenty (20) years ***for an existing development area;***~~[,]~~ and

(b) Thirty (30) years for a new development area;

and may be extended for a period not to exceed an additional twenty-five (25) years as provided in KRS 65.4931.

➔Section 36. KRS 186.456 is amended to read as follows:

(1) As used in this section, "state police" means the Department of Kentucky State Police.

(2) From September 1, 2024, until ***December 31, 2028***~~[June 30, 2026]~~, the state police shall operate a pilot program to provide operator's license skills testing in up to ten (10) counties in which the state police does not provide permanent, full-time, driver licensing testing.

(3) In administering the pilot project under this section, the state police shall:

(a) Identify the counties participating in the pilot project based on both public demand and available state police resources;

(b) Provide testing in each county at least one (1) time each month;

(c) Accept applications for testing slots through the state police's online application portal;

(d) Limit testing only to residents of the pilot project county where the test will be administered;

(e) Limit testing only to applicants for an intermediate license under KRS 186.452; and

(f) Evaluate service levels, unsubscribed appointments, and no-shows during the term of the pilot project and, if necessary, move the pilot project to another county identified in subsection (2) of this section, while maintaining the pilot project in up to ten (10) counties during the term of the project.

(4) The state police shall collect data on testing done under this section and, by October 31, 2025, submit a report to the Legislative Research Commission for referral to the Interim Joint Committee on Transportation providing:

(a) Counts of the number of available testing appointments in each county, applicants served, unclaimed testing slots, and no-show appointments;

(b) Information regarding how the pilot program affected testing associated with regional licensing offices; and

(c) Recommendations on the continuation or expansion of the pilot project.

➔Section 37. KRS 154.30-050 is amended to read as follows:

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

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

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

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

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

(3) (a) 1. The criteria for qualification shall be as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Beginning ***on the effective date of this section of this Act*** ~~[January 1, 2008]~~:

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

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

b. The project shall result in a minimum capital investment of ***five*** ~~[two]~~ hundred million dollars ***($500,000,000)*** ~~[($200,000,000)]~~;

c. ***The project shall be owned by a resident or nonresident, nonprofit educational, charitable, or religious institution which has qualified for an exemption from income tax under Section 501(c)(3) of the Internal Revenue Code;***

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

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

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

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

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

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

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

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

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

4. Notwithstanding any provision of this section to the contrary, if a project has a residential use that comprises at least fifty percent (50%) of the total finished square footage of the proposed project:

   a. The report required in KRS 154.30-030(2)(a)3.b. shall not be required; and

   b. The certification required in KRS 154.30-030(6)(b) and subparagraph 1.c. of this paragraph shall not be required.

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

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

(6) As part of the approval process, the authority shall determine the following:

   (a) The footprint of the project;

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

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

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

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

   (f) Any approved signature project costs;

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

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

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

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

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

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

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

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

➔Section 38. KRS 424.110 is amended to read as follows:

As used in KRS 424.110 to 424.370:

(1) "Publication area" means the city, county, district, or other local area for which an advertisement is required by law to be made. An advertisement shall be deemed to be for a particular city, county, district, or other local area if it concerns an official activity of the city, county, district, or other area or of any governing body, board, commission, officer, agency, or court thereof, or if the subject of the advertisement concerns particularly the people of the city, county, district, or other area;

(2) "Advertisement" means any matter required by law to be published;~~[and]~~

(3) "Zoned edition" means a newspaper edition published at least once a week, distributed in a specific geographic region of the newspaper's circulation area, and containing reporting and advertising of interest to subscribers in that geographic region***; and***

(4) "Time" means the time of day, stated in both eastern standard time and central standard time.

➔Section 39. KRS 61.805 is amended to read as follows:

As used in KRS 61.805 to 61.850, unless the context otherwise requires:

(1) "Meeting" means all gatherings of every kind, including video teleconferences, regardless of where the meeting is held, and whether regular or special and informational or casual gatherings held in anticipation of or in conjunction with a regular or special meeting;

(2) "Public agency" means:

(a) Every state or local government board, commission, and authority;

(b) Every state or local legislative board, commission, and committee;

(c) Every county and city governing body, council, school district board, special district board, and municipal corporation;

(d) Every state or local government agency, including the policy-making board of an institution of education, created by or pursuant to state or local statute, executive order, ordinance, resolution, or other legislative act;

(e) Any body created by or pursuant to state or local statute, executive order, ordinance, resolution, or other legislative act in the legislative or executive branch of government;

(f) Any entity when the majority of its governing body is appointed by a "public agency" as defined in paragraph (a), (b), (c), (d), (e), (g), or (h) of this subsection, a member or employee of a "public agency," a state or local officer, or any combination thereof;

(g) Any board, commission, committee, subcommittee, ad hoc committee, advisory committee, council, or agency, except for a committee of a hospital medical staff or a committee formed for the purpose of evaluating the qualifications of public agency employees, established, created, and controlled by a "public agency" as defined in paragraph (a), (b), (c), (d), (e), (f), or (h) of this subsection; and

(h) Any interagency body of two (2) or more public agencies where each "public agency" is defined in paragraph (a), (b), (c), (d), (e), (f), or (g) of this subsection;

(3) "Action taken" means a collective decision, a commitment or promise to make a positive or negative decision, or an actual vote by a majority of the members of the governmental body;~~[and]~~

(4) "Member" means a member of the governing body of the public agency and does not include employees or licensees of the agency***;***~~[.]~~

(5) ***"Time" means the time of day, stated in both eastern standard time and central standard time; and***

(6) "Video teleconference" means one (1) meeting, occurring in two (2) or more locations, where individuals can see and hear each other by means of video and audio equipment.

➔Section 40. KRS 140.070 is amended to read as follows:

The tax upon transfers of property as defined in the preceding sections of this chapter shall be at the following rates:

(1) Class A. In case the transfer is to or for the benefit of a parent, surviving spouse, child by blood, stepchild, child adopted during infancy, child adopted during adulthood who was reared by the decedent during infancy or a grandchild who is the issue of a child by blood, the issue of a stepchild, the issue of a child adopted during adulthood who was reared by the decedent during infancy, the issue of a child adopted during infancy, ***nephew, niece, or a nephew or niece of the half blood,*** brother, sister, or brother or sister of the half blood, the tax ***shall be***~~[,]~~ subject to the provisions of KRS 140.080**.**~~[, shall be:~~

~~On its value not exceeding $20,000 ..... 2%~~

~~On its value exceeding $20,000, but not exceeding $30,000 ..... 3%~~

~~On its value exceeding $30,000, but not exceeding $45,000 ..... 4%~~

~~On its value exceeding $45,000, but not exceeding $60,000 ..... 5%~~

~~On its value exceeding $60,000, but not exceeding $100,000 ..... 6%~~

~~On its value exceeding $100,000, but not exceeding $200,000 ..... 7%~~

~~On its value exceeding $200,000, but not exceeding $500,000 ..... 8%~~

~~On its value exceeding $500,000 ..... 10%]~~

(2) Class B. In case the transfer is to or for the benefit of a~~[nephew, niece, or a nephew or niece of the half blood,]~~ daughter-in-law, son-in-law, aunt or uncle, or a great-grandchild who is the grandchild of a child by blood, of a stepchild or of a child adopted during infancy, the tax, subject to the provisions of KRS 140.080, shall be:

On its value not exceeding $10,000 ..... 4%

On its value exceeding $10,000, but not exceeding $20,000 ..... 5%

On its value exceeding $20,000, but not exceeding $30,000 ..... 6%

On its value exceeding $30,000, but not exceeding $45,000 ..... 8%

On its value exceeding $45,000, but not exceeding $60,000 ..... 10%

On its value exceeding $60,000, but not exceeding $100,000 ..... 12%

On its value exceeding $100,000, but not exceeding $200,000 ..... 14%

On its value exceeding $200,000 ..... 16%

(3) Class C. In case the transfer is to or for the benefit of any educational, religious, or other institutions, societies, or associations, or to any cities, towns, or public institutions not exempted by KRS 140.060, or to any person not included in either Class A or Class B, the tax, subject to the provisions of KRS 140.080**,** shall be:

On its value not exceeding $10,000 ..... 6%

On its value exceeding $10,000, but not exceeding $20,000 ..... 8%

On its value exceeding $20,000, but not exceeding $30,000 ..... 10%

On its value exceeding $30,000, but not exceeding $45,000 ..... 12%

On its value exceeding $45,000, but not exceeding $60,000 ..... . 14%

On its value exceeding $60,000 ..... 16%

➔Section 41. KRS 140.080 is amended to read as follows:

(1) The following exemptions chargeable against the lowest bracket or brackets of inheritable interests shall be free from any tax under the preceding provisions of this chapter:

(a) Surviving spouse, total inheritable interest. Effective as to decedents dying after August 1, 1985, notwithstanding anything in this chapter to the contrary, if the decedent's personal representative (or trustee or transferee, absent a personal representative) shall so elect, the spouse's inheritable interest shall include the entire value of any trust or life estate which is in a form that qualifies for the federal estate tax marital deductions under ***26 U.S.C. sec.***~~[section]~~ 2056(b)(5) or ~~[2056(b)]~~(7)~~[of the Internal~~

~~Revenue Code of 1954]~~, as amended through December 31, 1984, regardless of whether or not the federal estate tax marital deduction is elected by the decedent's personal representative. To be valid, the election referred to in the sentence immediately preceding must be made in the form prescribed by the Department of Revenue and must be filed on or before the due date of the tax return***, including***~~[(plus]~~ extensions~~,[)]~~ or with the first tax return filed, whichever last occurs;

(b)~~[Class A beneficiaries as defined in KRS 140.070, other than the surviving spouse, of estates of decedents dying prior to July 1, 1995, as follows:~~

~~1. Infant child by blood or adoption, $20,000;~~

~~2. Child by blood who has been declared mentally disabled by a court of competent jurisdiction, $20,000;~~

~~3. Child adopted during infancy who has been declared mentally disabled by a court of competent jurisdiction, $20,000; or a~~

~~4. Child adopted during adulthood who was reared by the decedent during infancy and who has been declared mentally disabled by a court of competent jurisdiction, $20,000;~~

~~5. Parent, $5,000;~~

~~6. Child by blood, $5,000;~~

~~7. Stepchild, $5,000;~~

~~8. Child adopted during infancy, $5,000;~~

~~9. Child adopted during adulthood who was reared by the decedent during infancy, $5,000; or a~~

~~10. Grandchild who is the issue of a child by blood, the issue of a stepchild, the issue of a child adopted during infancy or the issue of a child adopted during adulthood who was reared by the decedent during infancy, $5,000;~~

~~(c)]~~ Class A beneficiaries**,** as defined in KRS 140.070,~~[other than the surviving spouse, of estates of decedents dying on or after July 1, 1995, shall be as follows:~~

~~1. For decedents dying between July 1, 1995, and June 30, 1996, the greater of the exemption established pursuant to paragraph (1)(b) of this section or one fourth (1/4) of each beneficiary's inheritable interest;~~

~~2. For decedents dying between July 1, 1996, and June 30, 1997, the greater of the exemption established pursuant to paragraph (1)(b) of this section or one half (1/2) of each beneficiary's inheritable interest;~~

~~3. For decedents dying between July 1, 1997, and June 30, 1998, the greater of the exemption established pursuant to paragraph (1)(b) of this section or three fourths (3/4) of each beneficiary's inheritable interest; and~~

~~4. For each decedent dying after June 30, 1998, each beneficiary's]~~ total inheritable interest;

(c)~~[(d)]~~ All persons of Class B, under KRS 140.070, $1,000; and

(d)~~[(e)]~~ All persons of Class C, under KRS 140.070, $500.

(2) If the decedent was not a resident of this state, the exemption shall be the same proportion of the allowable exemption in the case of residents that the property taxable by this state bears to the whole property transferred by the decedent.

➔SECTION 42. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Agriculturally based alternative jet fuel" means an alternative jet fuel produced from agricultural biomass, including crops and agricultural byproducts derived from agricultural or livestock production, such as corn, soybeans, wheat, canola, animal fats, and biomass residues from trees, wood, and grasses;

(b) "Alternative jet fuel" means a liquid fuel that can be used in an aircraft without the need to modify the aircraft engines or existing fuel distribution infrastructure, and that:

1. Consists of synthesized hydrocarbons and meets the requirements of:

a. The American Society for Testing and Materials International Standard D7566; or

b. The American Society for Testing and Materials International Standard D1655;

2. Is derived from eligible feedstocks;

3. Is not derived from palm fatty acid distillates; and

4. Achieves at least a fifty percent (50%) lifecycle greenhouse gas emissions reduction in comparison with petroleum-based jet fuel, as determined by a test that shows the fuel production pathway achieves at least a fifty percent (50%) reduction of the aggregate attributional care lifecycle by measuring either:

a. Emissions under the lifecycle methodology for alternative jet fuels adopted by the International Civil Aviation Organization with the agreement of the United States; or

b. Greenhouse gas emissions values utilizing the most recent version of Argonne National Laboratory's GREET model;

(c) "Alternative jet fuel producer" means an entity in this state that:

1. Produces alternative jet fuel; or

2. Blends SBC with conventional aviation gasoline or jet fuel;

(d) "Eligible feedstock" means any feedstock that qualifies as an eligible feedstock for purposes of Section 45Z of the Internal Revenue Code;

(e) "Eligible taxpayer" means an alternative jet fuel producer or feedstock provider that is located in the Commonwealth;

(f) "Feedstock provider" means an entity that manufactures an eligible feedstock, including SBC, used in the process of making alternative jet fuel; and

(g) "Synthetic blending component" or "SBC" means synthesized hydrocarbons that meet the requirements in any one (1) of the annexes of the American Society for Testing and Materials International Standard D7566, which may then be used as a component in the manufacture of alternative jet fuel.

(2) (a) There shall be allowed a nonrefundable, nontransferable alternative jet fuel credit allowed against the taxes imposed in KRS 141.020 or 141.040 and 141.0401 for alternative jet fuel producers in an amount certified by the department under this section, with the ordering of the credits as provided in Section 2 of this Act.

(b) For taxable years beginning on or after January 1, 2029, but before January 1, 2035, an eligible taxpayer may claim a credit at a rate of:

1. Fifty cents ($0.50) per gallon to a feedstock provider supplying either eligible feedstocks or SBC to an alternative jet fuel producer;

2. One dollar and fifty cents ($1.50) per gallon to an alternative jet fuel producer that processes eligible feedstocks or blends SBC with conventional jet fuel to produce alternative jet fuel;

3. Two dollars ($2) per gallon to an alternative jet fuel producer that processes eligible feedstocks or blends SBC with conventional jet fuel to produce agriculturally based alternative jet fuel; or

4. Two dollars and fifty cents ($2.50) per gallon to an alternative jet fuel producer that processes eligible feedstocks or blends SBC with conventional jet fuel to produce an agriculturally based alternative jet fuel using an eligible feedstock that was produced in the Commonwealth.

(3) (a) The credit allowed in subsection (2) of this section shall not be carried forward to other taxable years.

(b) The total credit allowed in subsection (2)(b)1. and 2. of this section shall not exceed two million dollars ($2,000,000) per eligible taxpayer per taxable year.

(c) The credits allowed in subsection (2) of this section may stack if the alternative jet fuel producer is the same as the feedstock provider and shall not exceed three dollars ($3) per gallon per entity.

(d) The aggregate total credit certified in a calendar year shall not exceed twenty million dollars ($20,000,000). If the aggregate total of credits certified exceeds twenty million dollars ($20,000,000), the department shall apportion credits pro rata among eligible taxpayers up to the twenty million dollar ($20,000,000) limit.

(4) The department, in conjunction with the Kentucky Department of Agriculture and the Energy and Environment Cabinet, shall promulgate emergency and ordinary administrative regulations in accordance with KRS Chapter 13A to adopt:

(a) Forms and procedures necessary for implementation, calculation, reporting, and certification of the credit no later than October 1, 2028;

(b) Verification standards and processes to ensure the fuel meets the requirements to be alternative jet fuel or agriculturally based alternative jet fuel; and

(c) Verification standards and processes to ensure each alternative jet fuel producer and feedstock provider meets the criteria established in subsection (1)(c) and (f) of this section.

(5) The department, Kentucky Department of Agriculture, and Energy and Environment Cabinet shall report to the Interim Joint Committee on Appropriations and Revenue when administrative regulations have been promulgated under subsection (4) of this section, and the credit provided in this section shall not be approved prior to the report.

(6) (a) An eligible taxpayer seeking approval for the credit under this section shall:

1. Submit an application to the department, on a form as prescribed by the department, by January 15, 2030, following the close of the calendar year, and each January 15 thereafter as long as the credit is available; and

2. Provide the:

a. Taxpayer's identification number; and

b. Description and amount or volume of alternative jet fuel, eligible feedstock, or SBC:

i. Produced, including anticipated production amounts, for the calendar year; or

ii. Blended, including anticipated production amounts, for the calendar year.

(b) The department shall:

1. Review all applications submitted by eligible taxpayers by February 15, 2030, and each February 15 thereafter as long as the credit is available;

2. Determine the qualifying volumes of alternative jet fuel, eligible feedstock, or SBC per eligible taxpayer; and

3. Issue a certification by March 1, 2030, and each March 1 thereafter as long as the credit is available, of the credit amount approved for each eligible taxpayer.

(7) (a) In order for the General Assembly to evaluate the alternative jet fuel producer credit, by November 1, 2030, and each November 1 thereafter, as long as the tax credit is claimed on any tax return filed, the department shall report the following to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue and the Department of Agriculture:

1. The number of tax returns, by the tax type of return filed, claiming the credit for each taxable year;

2. The total amount of credit claimed on returns filed for each taxable year;

3. The total number of gallons claimed per return filed of:

a. Eligible feedstock or SBC provided;

b. Eligible feedstock processed or SBC blended with conventional jet fuel to produce alternative jet fuel;

c. Agriculturally based alternative jet fuel produced; and

d. Agriculturally based alternative jet fuel produced using an eligible feedstock that was produced in the Commonwealth;

4. The cumulative number of credits claimed by county, as identified by the mailing address on the return filed for each 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), the total amount of credits claimed for each adjusted gross income range for each taxable year.

b. In the case of corporations, based on ranges of net income of no larger than fifty thousand dollars ($50,000), the total amount of credit claimed for each net income range for each taxable year.

(b) 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 information.

➔SECTION 43. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Agriculturally based alternative jet fuel" has the same meaning as in Section 42 of this Act;

(b) "Alternative jet fuel" has the same meaning as in Section 42 of this Act;

(c) "Commercial airport" has the same meaning as in KRS 183.011;

(d) "Effective date" means the first day of the month following the month in which the department notifies the commercial airport that it is eligible to receive a sales tax rebate;

(3) (a) Notwithstanding KRS 134.580 and 139.770, effective August 1, 2026, a commercial airport may be granted a sales tax rebate of up to seventy-five percent (75%) of the Kentucky sales tax generated by the sale of agriculturally based alternative jet fuel and alternative jet fuel at a commercial airport located in Kentucky. The tax rebate shall be reduced by the vendor compensation allowed under KRS 139.570 on or after August 1, 2026.

(b) The commercial airport shall have no obligation to refund or otherwise return any amount of the sales tax rebate to the persons from whom the sales tax was collected.

(c) The total tax rebate for each commercial airport shall be reinvested by the commercial airport to maintain, improve, upgrade, and repair commercial airport facilities and operations.

(4) (a) To be eligible for a sales tax rebate under this section, the commercial airport shall file an application with the department in the form prescribed by the department through the promulgation of an administrative regulation in accordance with KRS Chapter 13A.

(b) The department shall:

1. Review the application;

2. Determine whether the applicant meets the requirements of this section; and

3. Notify the applicant in writing whether the applicant qualifies for a rebate and the effective date of qualification.

(5) A qualified applicant shall file a request for a sales tax rebate within sixty (60) days following the end of each calendar quarter for sales made during the quarter. The request shall be submitted in the form prescribed by the department through the promulgation of an administrative regulation in accordance with KRS Chapter 13A, and shall include supporting information and documentation as determined necessary by the department to verify the requested tax rebate.

(6) The department shall review the request, verify the amount of sales tax rebate due to the commercial airport, and pay the amount determined due within forty-five (45) days of receipt of the request and all necessary supporting information.

(7) Interest shall not be allowed or paid on any sales tax rebate payment made under this section.

➔Section 44. KRS 67C.147 is amended to read as follows:

(1) In order to maintain the tax structure, tax rates, or level of services in the area of the consolidated local government formerly comprising the city of the first class, the legislative council of a consolidated local government may provide in the manner described in this chapter for taxes and services within the area comprising the former city of the first class which are different from the taxes and services which are applicable in the remainder of the county. These differences may include differences in tax rates upon the class of property which includes the surface of the land, differences in ad valorem tax rates upon personal property, and differences in tax rates upon insurance premiums.

(2) Any difference in the ad valorem tax rate on the class of property which includes the surface of the land in the portion of the county formerly comprising the city of the first class and in the portion of the county other than that formerly comprising the city of the first class may be imposed directly by the consolidated local government council. Any change in these ad valorem tax rates shall comply with KRS 68.245, 132.010, 132.017, and 132.027 and shall be used for services as provided by KRS 82.085.

(3) If the consolidated local government council determines to provide for tax rates applicable to health insurance premiums and personal property which are different in the area formerly comprising the city of the first class than the rates applicable in the remainder of the county, it shall do so in the following manner. The consolidated local government council shall by ordinance create a tax district to be known as the "urban service tax district" bounded by the former boundaries of the former city of the first class. The ordinance shall designate the number of members of the board of this tax district and the manner in which they shall be appointed. The ordinance shall provide that the board of the tax district shall receive the income derived from the differential tax rate applicable in the area formerly comprising the city of the first class with respect to personal property, health insurance premiums, or both, and shall contract with the consolidated local government to pay all sums collected to the consolidated local government, in return for the provision of services performed by the consolidated local government within the area formerly comprising the city of the first class which services are in addition to services performed by the consolidated local government in the remainder of the county. The consolidated local government shall provide at least an annual reporting to the urban service tax district board and the legislative body of the consolidated local government containing but not limited to detailed operating and capital expenditures of each service performed by the consolidated local government.

(4) After the initial formation of an urban service tax district in a consolidated local government, the boundaries of the district may be modified in the following manner. The proposal to alter the boundaries of the urban service tax district within a consolidated local government may be initiated by:

(a) A resolution enacted by the consolidated local government describing the boundaries of the area to be added to or deleted from the tax district and duly passed and signed by the mayor not less than one hundred twenty (120) days before the next regularly scheduled election day within the county; or

(b) A petition signed by a number of qualified voters living within precincts within the area to be added to or deleted from the tax district equal to ten percent (10%) of the votes cast within each precinct in the last general election for President of the United States and delivered to the clerk of the legislative council more than one hundred twenty (120) days next preceding the next regularly scheduled election day within the county.

The boundaries so described in either case shall not cross precinct lines. The question of whether the area bounded as described should be added to or deleted from, as the case may be, the urban service tax district shall then be placed upon the ballot in the precincts in the area to be added or deleted at the next regular election and the question stated on the ballot shall be so phrased that a "Yes" vote shall be cast in favor of making the proposed change and a "No" vote shall be cast to oppose the proposed change. If a majority of those voting in those precincts support the change, then the change in the boundaries of the urban service tax district shall be implemented.

(5) (a) ***Beginning with emergency medical responses made on or after***~~[No later than]~~ July 1, 2025, the consolidated local government shall reimburse a fire district operating under KRS Chapter 75 for expenses related to each emergency medical response made by the fire district operating under KRS Chapter 75 into the area of the urban service tax district. A fire district so responding shall receive from the consolidated local government three hundred dollars ($300) for transporting a person and one hundred fifty dollars ($150) for arriving at person's location when no person is transported.

(b) The payment established in paragraph (a) of this subsection shall be in addition to any insurance moneys the fire district may be eligible to receive resulting from the response.

(c) The payment established in paragraph (a) of this subsection shall be adjusted on July 1 of each year by the percentage increase in the nonseasonally adjusted annual average Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, between the two (2) most recent calendar years available, as published by the United States Bureau of Labor Statistics.

(d) The consolidated local government shall not charge a fire district operating under KRS Chapter 75 for any expenses or services that the consolidated local government was not charging the fire district prior to January 1, 2024.

(e) A fire district operating under KRS Chapter 75 that receives payment or reimbursement in any form from the consolidated local government for an emergency medical response made by the fire district into the area of the urban service tax district prior to July 1, 2025, shall not be eligible for payments or reimbursement under this subsection beginning on July 1 of the following fiscal year and continuing until the end of that fiscal year.

(6) Except for services provided within the central business district as defined by the consolidated local government via ordinance as of April 1, 2024:

(a) From July 1, 2025, to June 30, 2028, the differential tax received by the urban service tax district shall fund no less than eighty-five percent (85%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county;

(b) From July 1, 2028, to June 30, 2031, the differential tax received by the urban service tax district shall fund no less than ninety percent (90%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county;

(c) From July 1, 2031, to June 30, 2034, the differential tax received by the urban service tax district shall fund no less than ninety-five percent (95%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county; and

(d) After June 30, 2034, the differential tax received by the urban service tax district shall fund no less than one hundred percent (100%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county.

➔Section 45. KRS 367.990 is amended to read as follows:

(1) Any person who violates the terms of a temporary or permanent injunction issued under KRS 367.190 shall forfeit and pay to the Commonwealth a civil penalty of not more than twenty-five thousand dollars ($25,000) per violation. For the purposes of this section, the Circuit Court issuing an injunction shall retain jurisdiction, and the cause shall be continued, and in such cases the Attorney General acting in the name of the Commonwealth may petition for recovery of civil penalties.

(2)~~[In any action brought under KRS 367.190, if the court finds that a person is willfully using or has willfully used a method, act, or practice declared unlawful by KRS 367.170, the Attorney General, upon petition to the court, may recover, on behalf of the Commonwealth, a civil penalty of not more than two thousand dollars ($2,000) per violation, or where the defendant's conduct is directed at a person aged sixty (60) or older, a civil penalty of not more than ten thousand dollars ($10,000) per violation, if the trier of fact determines that the defendant knew or should have known that the person aged sixty (60) or older is substantially more vulnerable than other members of the public.~~

~~(3)]~~ Any person with actual notice that an investigation has begun or is about to begin pursuant to KRS 367.240 and 367.250 who intentionally conceals, alters, destroys, or falsifies documentary material is guilty of a Class A misdemeanor.

(3) ~~[(4)]~~ Any person who, in response to a subpoena or demand as provided in KRS 367.240 or 367.250, intentionally falsifies or withholds documents, records, or pertinent materials that are not privileged shall be subject to a fine as provided in subsection ***(2)*** ~~[(3)]~~ of this section.

(4) ~~[(5)]~~ The Circuit Court of any county in which any plan described in KRS 367.350 is proposed, operated, or promoted may grant an injunction without bond, upon complaint filed by the Attorney General to enjoin the further operation thereof, and the Attorney General may ask for and the court may assess civil penalties against the defendant in an amount not to exceed the sum of five thousand dollars ($5,000) which shall be for the benefit of the Commonwealth of Kentucky.

(5) ~~[(6)]~~ Any person, business, or corporation who knowingly violates the provisions of KRS 367.540 shall be guilty of a violation. It shall be considered a separate offense each time a magazine is mailed into the state; but it shall be considered only one (1) offense for any quantity of the same issue of a magazine mailed into Kentucky.

(6) ~~[(7)]~~ Any solicitor who violates the provisions of KRS 367.513 or 367.515 shall be guilty of a Class A misdemeanor.

(7) ~~[(8)]~~ In addition to the penalties contained in this section, the Attorney General, upon petition to the court, may recover, on behalf of the Commonwealth a civil penalty of not more than the greater of five thousand dollars ($5,000) or two hundred dollars ($200) per day for each and every violation of KRS 367.175.

(8) ~~[(9)]~~ Any person who~~[shall]~~ willfully and intentionally ***violates*** ~~[violate]~~ any provision of KRS 367.976 to 367.985 shall be guilty of a Class B misdemeanor.

(9) ~~[(10)]~~ (a) Any person who violates the terms of a temporary or permanent injunction issued under KRS 367.665 shall forfeit and pay to the Commonwealth a penalty of not more than five thousand dollars ($5,000) per violation. For the purposes of this section, the Circuit Court issuing an injunction shall retain jurisdiction, and the cause shall be continued, and in such cases the Attorney General acting in the name of the Commonwealth may petition for recovery of civil penalties.

(b) 1. The Attorney General may, upon petition to a court having jurisdiction under KRS 367.190, recover on behalf of the Commonwealth from any person found to have willfully committed an act declared unlawful by KRS 367.667 a penalty of not more than five thousand dollars ($5,000) per violation.

2. In addition to any other penalties provided for the commission of the offense, any person found guilty of violating KRS 367.667(1)(c):

a. Shall be punished by a fine of no less than five hundred dollars ($500) for the first offense and no less than five thousand dollars ($5,000) for any subsequent offense; and

b. Pay restitution of any financial benefit secured through conduct proscribed by KRS 367.667(1)(c).

3. The Office of the Attorney General or the appropriate Commonwealth's attorney shall have concurrent enforcement powers as to fines, felonies, and misdemeanors under this paragraph.

(c) Any person who knowingly violates any provision of KRS 367.652, 367.653, 367.656, 367.657, 367.658, 367.666, or 367.668 or who knowingly gives false or incorrect information to the Attorney General in filing statements or reports required by KRS 367.650 to 367.670 shall be guilty of a Class D felony.

(10) ~~[(11)]~~ Any dealer who fails to provide a statement under KRS 367.760 or a notice under KRS 367.765 shall be liable for a penalty of one hundred dollars ($100) per violation to be collected in the name of the Commonwealth upon action of the Attorney General.

(11) ~~[(12)]~~ Any dealer or manufacturer who falsifies a statement under KRS 367.760 shall be liable for a penalty not exceeding one thousand dollars ($1,000) to be collected in the name of the Commonwealth upon action by the Attorney General.

(12) ~~[(13)]~~ Any person who violates KRS 367.805, 367.809(2), 367.811, 367.813(1), or 367.816 shall be guilty of a Class C felony.

(13) ~~[(14)]~~ Either the Attorney General or the appropriate Commonwealth's attorney shall have authority to prosecute violations of KRS 367.801 to 367.819.

(14) ~~[(15)]~~ A violation of KRS 367.474 to 367.478 and 367.482 is a Class C felony. Either the Attorney General or the appropriate Commonwealth's attorney shall have authority to prosecute violators of KRS 367.474 to 367.478 and 367.482.

(15) ~~[(16)]~~ Any person who violates KRS 367.310 shall be guilty of a violation.

(16) ~~[(17)]~~ Any person, partnership, or corporation who violates the provisions of KRS 367.850 shall be guilty of a Class A misdemeanor.

(17) ~~[(18)]~~ Any dealer in motor vehicles or any other person who fraudulently changes, sets back, disconnects, fails to connect, or causes to be changed, set back, or disconnected, the speedometer or odometer of any motor vehicle, to effect the sale of the motor vehicle shall be guilty of a Class D felony.

(18) ~~[(19)]~~ Any person who negotiates a contract of membership on behalf of a club without having previously fulfilled the bonding requirement of KRS 367.403 shall be guilty of a Class D felony.

(19) ~~[(20)]~~ Any person or corporation who operates or attempts to operate a health spa in violation of KRS 367.905(1) shall be guilty of a Class A misdemeanor.

(20) ~~[(21)]~~ (a) Any person who violates KRS 367.832 shall be guilty of a Class C felony; and

(b) The appropriate Commonwealth's attorney shall have authority to prosecute felony violations of KRS 367.832.

(21) ~~[(22)]~~ (a) Any person who violates the provisions of KRS 367.855 or 367.857 shall be guilty of a violation. Either the Attorney General or the appropriate county health department may prosecute violators of KRS 367.855 or 367.857.

(b) The provisions of this subsection shall not apply to any retail establishment if the wholesaler, distributor, or processor fails to comply with the provisions of KRS 367.857.

(22) ~~[(23)]~~ Notwithstanding any other provision of law, any telemarketing company, telemarketer, caller, or merchant shall be guilty of a Class D felony when that telemarketing company, telemarketer, caller, or merchant three (3) times in one (1) calendar year knowingly and willfully violates KRS 367.46955(15) by making or causing to be made an unsolicited telephone solicitation call to a telephone number that appears in the current publication of the zero call list maintained by the Office of the Attorney General's Office of Consumer Protection.

(23) ~~[(24)]~~ Notwithstanding any other provision of law, any telemarketing company, telemarketer, caller, or merchant shall be guilty of a Class A misdemeanor when that telemarketing company, telemarketer, caller, or merchant uses a zero call list identified in KRS 367.46955(15) for any purpose other than complying with the provisions of KRS 367.46951 to 367.46999.

(24) ~~[(25)]~~ (a) Notwithstanding any other provision of law, any telemarketing company, telemarketer, caller, or merchant that violates KRS 367.46951 to 367.46999 shall be assessed a civil penalty of not more than five thousand dollars ($5,000) for each offense.

(b) The Attorney General, or any person authorized to act in his or her behalf, shall initiate enforcement of a civil penalty imposed under paragraph (a) of this subsection.

(c) Any civil penalty imposed under paragraph (a) of this subsection may be compromised by the Attorney General or his or her designated representative. In determining the amount of the penalty or the amount agreed upon in compromise, the Attorney General, or his or her designated representative, shall consider the appropriateness of the penalty to the financial resources of the telemarketing company, telemarketer, caller, or merchant charged, the gravity of the violation, the number of times the telemarketing company, telemarketer, caller, or merchant charged has been cited, and the good faith of the telemarketing company, telemarketer, caller, or merchant charged in attempting to achieve compliance, after notification of the violation.

(d) If a civil penalty is imposed under this subsection, a citation shall be issued which describes the violation which has occurred and states the penalty for the violation. If, within fifteen (15) working days from the receipt of the citation, the affected party fails to pay the penalty imposed, the Attorney General, or any person authorized to act in his or her behalf, shall initiate a civil action to collect the penalty. The civil action shall be taken in the court which has jurisdiction over the location in which the violation occurred.

(25) ~~[(26)]~~ Any person who violates KRS 367.500 shall be liable for a penalty of two thousand five hundred dollars ($2,500) per violation. Either the Attorney General or the appropriate Commonwealth's attorney may prosecute violations of KRS 367.500.

(26) (a) In any action brought under KRS 367.190, if the court finds that a person is willfully using or has willfully used a method, act, or practice declared unlawful by KRS 367.170, the Attorney General, upon petition to the court, may recover on behalf of the Commonwealth a civil penalty of not more than:

1. Two thousand dollars ($2,000) per violation; or

2. Ten thousand dollars ($10,000) per violation if the defendant's conduct is directed at a person aged sixty (60) or older, and the trier of fact determines that the defendant knew or should have known that the person is aged sixty (60) or older and substantially more vulnerable than other members of the public.

(b) For purposes of this subsection:

1. Any method, act, or practice declared unlawful by KRS 367.170 shall constitute a separate violation as to each:

a. Consumer to whom a method, act, or practice declared unlawful by KRS 367.170 was directed, communicated, or applied, regardless of whether the consumer suffered actual pecuniary loss;

b. Transaction in which a method, act, or practice declared unlawful by KRS 367.170 was employed, including but not limited to each sale, offer, solicitation, advertisement or advertisement placement, communication, other act connected with the unlawful conduct; and

c. Separately identifiable method, act, or practice declared unlawful by KRS 367.170, even if arising from the same transaction or directed at the same consumer; and

2. Any method, act, or practice declared unlawful by KRS 367.170 that is not identified as being in connection with a specific identifiable person or transaction, but that is continuing in nature, shall constitute a separate violation for each day that the unlawful method, act, or practice exists or continues.

(c) Proof of actual injury to a consumer as a prerequisite to the assessment of civil penalties under this subsection shall not be required, as the civil penalty provisions in this subsection are intended to punish and deter the violator and not intended solely to compensate injured parties.

(d) In determining the amount of the civil penalty established in paragraph (a) of this subsection to be assessed for each violation, the trier of fact may consider, either alone or in combination, the following factors:

1. Whether the person charged with the violation was acting in good faith or bad faith;

2. The nature, extent, and severity of the injury to consumers and the public;

3. The person's ability to pay;

4. The amount of profit or gain obtained through the unlawful conduct;

5. The duration of the unlawful conduct;

6. The desire to eliminate any benefit derived from the violation and to deter future violations; and

7. Any prior violations of KRS 367.170 by the person.

(e) For purposes of this subsection, "person" has the same meaning as in KRS 367.110.

(f) This subsection shall:

1. Be liberally construed to effectuate its purpose of protecting consumers and the public from unfair, false, misleading, or deceptive acts or practices, and to provide the Attorney General the enforcement tools necessary to deter unlawful conduct; and

2. Not be construed to limit the:

a. Methods by which the Attorney General or trier of fact may determine the number of violations in any particular action; or

b. Right of the trier of fact to determine the number of violations for which a person may properly be held responsible based upon the circumstances of the case.

➔Section 46. KRS 367.360 is amended to read as follows:

To accomplish the objectives and to carry out the duties prescribed by KRS 367.350 the Attorney General, in addition to other powers conferred upon him by KRS 367.990~~[(5)]~~, may issue subpoenas to any person, administer an oath or affirmation to any person, or conduct hearings in aid of any investigation or inquiry, provided that information obtained pursuant to the powers conferred by this section shall not be made public or disclosed by the Attorney General or his employees beyond the extent necessary for law enforcement purposes in the public interest.

➔Section 47. Whereas, musicians and music venues are vital to the economy of the Commonwealth, the Kentucky Film Leadership Council is directed to study, examine, and evaluate the needs of Kentucky's musicians and music venues. The study shall be conducted by the executive director of the Kentucky Film Office or his or her designee, the secretary of the Cabinet for Economic Development or his or her designee, and the secretary of the Education and Labor Cabinet or his or her designee. The study shall assess the needs of Kentucky musicians and music venues in this state and provide strategies regarding how the Commonwealth may further facilitate industry growth and the development of partnerships between state agencies, universities, and this vital industry. The study shall identify both opportunities and barriers this industry faces in expanding within the state. The findings and results of this study shall be submitted to the Legislative Research Commission by November 1, 2026, for referral to the Interim Joint Committee on Economic Development and Workforce Investment.

➔Section 48. 2026 RS HB 757/VO, Section 7, 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;

(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;

(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;

(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. ***Allow a subtraction equal to the amortization of***~~[Exclude the amount deducted for]~~ domestic research or experimental expenditures ***computed in accordance with***~~[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;

(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 ***and home equity*** 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 49. 2026 RS HB 757/VO, Section 8, 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 deprecation 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;

(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;

(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. ***Allow a subtraction equal to the amortization of***~~[Exclude the amount deducted for]~~ domestic research or experimental expenditures ***computed in accordance with***~~[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, 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 50. 2026 RS HB 757/VO, Section 118, 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 independent of the existing development area***~~[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;

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;

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 51. 2026 RS SB 185/EN, Section 1, is amended to read as follows:

(1) Kentucky State University, recognized as an 1890 land-grant university that is Kentucky's only public Historically Black College or University (HBCU), shall be a four (4) year residential polytechnic institution that focuses on highly technical, industry-based applied learning and offers liberal studies and polytechnic programs that are aligned with the workforce needs of the Commonwealth and consistent with the historical mission of an HBCU.

(2) The General Assembly declares that a state of financial exigency exists at Kentucky State University for five (5) years from the effective date of this Act or until such a date that the General Assembly affirmatively declares, based upon the recommendation of the Council on Postsecondary Education, that the university's finances are stable, whichever occurs first.

(3) (a) Kentucky State University shall not enter into any obligation or make any expenditure costing twenty thousand dollars ($20,000) or more without prior approval of the Council on Postsecondary Education, including but not limited to any purchase, contract, or increase due to a personnel action.

(b) Kentucky State University shall:

1. Provide a monthly report of university finances to the Council on Postsecondary Education in the format requested by the council. The council shall provide a quarterly update on the financial status of the university to the Governor and the Legislative Research Commission;

2. Fully cooperate with the council in its exercise of the financial oversight granted to the council under this subsection;

3. Timely provide all information and documentation deemed by the council to be relevant to the financial oversight; and

4. Timely consult with the council on all major financial matters during the state of financial exigency declared in subsection (2) of this section.

(c) The financial oversight granted to the council under this subsection shall continue for the entire duration of the financial exigency declared in subsection (2) of this section.

(4) Notwithstanding KRS 164A.560, beginning no later than July 1, 2027, all financial transactions of Kentucky State University shall be reported and reconciled no less than monthly in the Enhanced Management Administrative Reporting System (EMARS).

(5) Kentucky State University shall not incur a budget deficit for the remaining duration of the financial exigency declared in subsection (2) of this section.

~~[(6) Any organization registered with the Kentucky Secretary of State or any member or officer of any such organization having entered into a public-private lease agreement with Kentucky State University shall not be eligible to transact any business or enter into any contract with Kentucky State University or any other agency or instrumentality of the Commonwealth or subdivision thereof after the effective date of this Act. Any such contract purported to be executed or renewed with any such organization or individual after the effective date of this Act shall be null and void.]~~

➔Section 52. 2026 RS HB 757/VO, Section 5, 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 ***first and third programs identified in*** ~~[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. ***The Signature Projects Program shall sunset on December 31, 2028, and new applications shall not be submitted or considered for approval after December 31, 2028.***

3. Projects approved ***for a program*** prior to the ~~[effective]~~date ***the program shall sunset under subparagraph 1. or 2. of this paragraph*** ~~[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.

4.~~[3.]~~ Tax incentive agreements related to the programs under paragraph (a) of this subsection ***and in effect on the effective date of this section of this Act*** 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) ***Except as provided in subsection (1)(b)3. of this section,*** 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 53. 2026 RS HB 757/VO, Section 107, 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; 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) ***Beginning in calendar year 2026, reducing the result of paragraph (a) of this subsection by by three and three-tenths percent (3.3%) and in every subsequent calendar year after 2026 to 2048, further reducing the result by an additional one and one-tenth percent (1.1%)***~~[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 54. 26 RS HB 757/VO, Section 128, is amended to read as follows:

(1) As used in this section:

(a) "Facility operator" means a person who owns or operates a venue;

(b) "Professional ***golf*** sporting event" ~~[.~~

~~1.]~~means an organized, competitive ***golf*** 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 ***golf*** 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 ***golf*** 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 ***golf*** 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 ***golf*** 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;

(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 ***golf*** 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 55. 26 RS HB 904/VO, Section 22, is amended to read as follows:

(1) The corporation shall institute a system of sports wagering in conformance with federal law, this chapter, and by administrative regulations promulgated under the authority of KRS 230.215.

(2) Sports wagering shall not be offered in this state except as authorized by this section and KRS 230.811. A track that holds a license to operate sports wagering may contract with sports wagering service providers to conduct or manage sports wagering operations as authorized by this chapter. Sports wagering may be provided at a licensed facility for sports wagering or online through a website or mobile application. The licensed facility for sports wagering or a sports wagering service provider may provide sports wagering through a website or mobile interface as approved by the corporation. The corporation may provide temporary licenses to licensed facilities for sports wagering or sports wagering service providers, if the corporation deems that the information submitted by them is sufficient to determine the applicant's suitability. The corporation may promulgate administrative regulations to establish the suitability for temporary and ordinary license applications for licensed facilities for sports wagering, sports wagering service providers, and any related parties.

(3) Sports wagering licensees and service providers that accept wagers online via websites and mobile applications shall impose the following requirements:

(a) Prior to placing a wager online via websites or mobile applications operated by either a sports wagering licensee or a service provider, a patron shall register the patron's sports wagering account with the operating sports wagering licensee or service provider either in person at a licensed facility for sports wagering or remotely through the service provider's website or mobile application;

(b) 1. The registration process shall include attestation that the patron meets the requirements to place a wager with a sports wagering licensee or service provider in this state.

2. Prior to verification of a patron's identity, a sports wagering licensee or service provider shall not allow the patron to engage in sports wagering, make a deposit, or process a withdrawal via the patron's sports wagering account.

3. A sports wagering licensee or service provider shall implement commercially and technologically reasonable procedures to prevent access to sports wagering by any person under the age of twenty-one (21):

a. At a licensed facility; and

b. Online via website or mobile application.

4. A sports wagering licensee or service provider may use information obtained from third parties to verify that a person is authorized to open an account, place wagers, and make deposits and withdrawals;

(c) A sports wagering licensee or service provider shall adopt an account registration policy to ensure that all patrons are authorized to place a wager with a sports wagering licensee or service provider within the Commonwealth of Kentucky. This policy shall include, without limitation, a mechanism by which to:

1. Verify the name and age of the patron;

2. Verify that the patron is not prohibited from placing a wager; and

3. Obtain the following information:

a. A physical address other than a post office box;

b. A phone number;

c. A unique user name; and

d. An email account;

(d) A sports wagering licensee or service provider shall use all commercially and technologically reasonable means to ensure that each patron is limited to one (1) account with that service provider in the Commonwealth, but nothing in this paragraph restricts a patron from holding other sports wagering accounts in other jurisdictions;

(e) A sports wagering licensee or service provider, in addition to complying with state and federal law pertaining to the protection of the private, personal information of patrons, shall use all other commercially and technologically reasonable means to protect this information consistent with industry standards;

(f) A sports wagering licensee or service provider shall use all commercially and technologically reasonable means to verify the identity of the patron making a deposit or withdrawal;

(g) A sports wagering licensee or service provider shall utilize geolocation or geofencing technology to ensure that wagers are only accepted from patrons who are physically located in the Commonwealth. A sports wagering licensee or service provider shall maintain in this state its servers used to transmit information for purposes of accepting or paying out wagers on a sporting event placed by patrons in this state;

(h) A patron may fund the patron's account using any acceptable form of payment or advance deposit method, which shall include the use of cash, cash equivalents, credit cards, debit cards, automated clearing house, other electronic methods, and any other form of payment authorized by the corporation; and

(i) The corporation may enter into agreements with other jurisdictions or entities to facilitate, administer, and regulate multijurisdictional sports betting by sports betting operators to the extent that entering into the agreement is consistent with state and federal laws and the sports betting agreement is conducted only in the United States.

(4) A track may contract with no more than three (3) service providers at a time to conduct and manage services and technology which support the operation of sports betting both on the track and online via websites and

mobile applications. The website or mobile application used to offer sports betting shall be offered only under the same brand as the track or that of the service provider contracted with the track, or both.

(5) (a) A track or service provider through an agreement with a licensed track shall not offer sports wagering until the corporation has issued a sports wagering license to the track, except for temporary licenses authorized under KRS 230.814.

(b) A track or association, or service provider through an agreement with a licensed track, shall not offer fixed-odds wagering until the corporation has issued a supplemental fixed-odds wagering license to the track.

(6) (a) A track licensed under KRS 230.811 may offer sports wagering at a facility that meets the definition of "track" in KRS 230.210.

(b) A simulcast facility may offer sports wagering through an agreement with a track by using any of that track's already established service providers.

(7) (a) As used in this subsection, "minimum bet limit":

1. Means the amount a bettor can win, not how much can be staked or collected; and

2. Includes that the minimum bet limit must be accepted by bookmakers on all fixed-odds wagers.

(b) A track or association licensed under this chapter may conduct fixed-odds wagering on horse racing with or without a service provider.

(c) A track or association or service provider licensed under this chapter shall have a mandatory minimum bet limit of at least one thousand dollars ($1,000) per race.

(d) The betting menu shall be determined by the host track.

(8) (a) As used in this subsection, "proposition bet" means a wager on the performance statistics of an individual athlete.

(b) A sports wagering licensee or service provider shall not offer or accept any proposition bets on an individual performance statistic on athletes participating in collegiate sporting events for a collegiate team located in Kentucky if the successful outcome of the wager is contingent upon the athlete failing to meet a specified statistical threshold or experiencing a negative performance outcome.

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

1. "Affiliate" means an entity that is owned or controlled in whole or in part by the licensee; and

2. "Beneficial interest" means participation in the proceeds of prediction markets or events contracts either as a licensee or operator of the proceeds or an entity that receives prediction market or events contracts proceeds in any capacity.

(b) A track or association that holds a license to conduct horse racing, sports wagering, or a licensee offering fantasy contests under this chapter or its affiliate shall not participate in or contract with platforms that offer events contracts through a prediction market in the Commonwealth of Kentucky or have a beneficial interest in the proceeds of prediction markets in the Commonwealth of Kentucky.

(c) A track or association licensed to conduct horse racing, sports wagering, or a licensee offering fantasy contests under this chapter or its affiliate or an entity in which it has a beneficial interest shall not contract with a ***licensed sports wagering*** service provider that:

1. Offers ***sports*** events contracts through a prediction market in the Commonwealth of Kentucky; or

2. Owns, rents, licenses, advertises, operates, is partnered or affiliated with, or has a beneficial interest in, an entity that makes available to its users in any form a ***sports*** prediction market in the Commonwealth of Kentucky.

(d) A track or association licensed to conduct horse racing, sports wagering, or a licensee offering fantasy contests under this chapter, its affiliate, or an entity in which it has a beneficial interest shall not contract with an entity offering sports event contracts or a sports prediction market in Kentucky.

(e) Notwithstanding paragraphs (b) to (d) of this subsection, a track or association licensed to conduct horse racing, sports wagering, or a licensee offering fantasy contests under this chapter found to

have violated this section shall have twelve (12) months to cure the violation without any additional penalty imposed by the corporation. If the violation is not cured within twelve (12) months of the violation, the corporation may take administrative action.

(10) Notwithstanding subsection (9) of this section, this chapter shall not prohibit the corporation or the Department of Revenue from promulgating administrative regulations in accordance with KRS Chapter 13A to regulate the conduct or activity of prediction markets in the Commonwealth in accordance with applicable federal law.

(11) If a track or association holds two (2) or more licenses, only the specific license or licensee for which the track or association has violated the terms shall be subject to suspension or revocation or the applicable penalties.

(12) ***Nothing in*** this section shall ~~[not]~~be construed to prevent a ***licensed sports wagering*** service provider or a track or association licensed to conduct horse racing or sports wagering or a licensee offering fantasy contests under this chapter from offering ***advance***~~[advanced]~~ deposit account wagering as defined in Section 1 of this Act.

➔Section 56. 2026 RS HB 677/EN, Section 25, is amended to read as follows:

(1) No person shall commence to construct a merchant electric generating facility until that person has applied for and obtained a construction certificate for the facility from the board. The construction certificate shall be valid for a period of three (3) years after the issuance date of the last permit required to be obtained from the Energy and Environment Cabinet after which the certificate shall be void. The certificate shall be conditioned upon the applicant obtaining necessary air, water, and waste permits. If an applicant has not obtained all necessary permits and has not commenced to construct prior to the expiration date of the certificate, the applicant shall be required to obtain a new valid certificate from the board.

(2) (a) Except as provided in subsections (3), (4), and (5) of this section, no construction certificate shall be issued to construct a merchant electric generating facility unless:

1. The exhaust stack of the proposed facility and any wind turbine is at least one thousand (1,000) feet from the property boundary of any adjoining property owner;

2. All proposed structures or facilities used in connection with the generation~~[or storage]~~ of electricity are two thousand (2,000) feet from any residential neighborhood, school, hospital, or nursing home facility; and

3. With regard to a wind power facility, the maximum height of the wind turbine, as measured from the natural grade to the top of the hub where the rotor attaches, does not exceed three hundred fifty (350) feet.

(b) For purposes of applications for site compatibility certificates pursuant to KRS 278.216:

1. Only the exhaust stack of the proposed facility to be actually used for coal or gas-fired generation shall be required to be at least one thousand (1,000) feet from the property boundary of any adjoining property owner and two thousand (2,000) feet from any residential neighborhood, school, hospital, or nursing home facility;

2. Any proposed structure to be actually used for the generation of electricity from solar or wind power shall be at least one thousand (1,000) feet from the property boundary of any adjoining property owner; and

3. Any proposed structures or facilities used in connection with the generation~~[or storage]~~ of electricity from solar or wind power shall be at least two thousand (2,000) feet from any residential neighborhood, school, hospital, or nursing home facility.

(3) If the merchant electric generating facility is proposed to be located in a county or a municipality with planning and zoning, then maximum height, decommissioning, and setback requirements from a property boundary, residential neighborhood, school, hospital, or nursing home facility may be established by the planning and zoning commission. Any decommissioning requirement, maximum height limitation, or setback established by a planning and zoning commission for a facility in an area over which it has jurisdiction shall:

(a) Except with regard to the minimum decommission bonding amount required in subsection (2)(m)5.a. of KRS 278.706, have primacy over the decommissioning requirements in KRS 278.706(2)(m), the maximum height limitation in subsection (2)(a)3. of this section, and the setback requirement in subsections (2) and (5) of this section; and

(b) Not be subject to modification or waiver by the board through a request for deviation by the applicant, as provided in subsection (4) of this section or otherwise.

(4) The board may grant a deviation from the requirements of subsection (2) of this section on a finding that the proposed facility is designed to and, as located, would meet the goals of KRS 224.10-280, 278.010, 278.212, 278.214, 278.216, 278.218, and 278.700 to 278.716 at a distance closer than those provided in subsection (2) of this section.

(5) If the merchant electric generating facility is proposed to be located on a site of a former coal processing plant in the Commonwealth where the electric generating facility will utilize on-site waste coal as a fuel source, then the one thousand (1,000) foot property boundary requirement in subsection (2)(a)1. of this section shall not be applicable; however, the applicant shall be required to meet any other setback requirements contained in subsection (2)(a)2. of this section.

(6) If requested, a merchant electric generating entity considering construction of a facility for the generation of electricity or a person acting on behalf of such an entity shall hold a public meeting in any county where acquisition of real estate or any interest in real estate is being considered for the facility. A request for such a meeting may be made by the commission, or by any city or county governmental entity, including a board of commissioners, planning and zoning, fiscal court, mayor, or county judge/executive. The meeting shall be held not more than thirty (30) days from the date of the request.

(7) The purpose of the meeting under subsection (6) of this section is to fully inform landowners and other interested parties of the full extent of the project being considered, including the project time line. One (1) or more representatives of the entity with full knowledge of all aspects of the project shall be present and shall answer questions from the public.

(8) Notice of the time, subject, and location of the meeting under subsection (6) of this section shall be posted in both a local newspaper, if any, and a newspaper of general circulation in the county. Notice shall also be placed on the websites of the unregulated entity, and any local governmental unit. Owners of real estate known to be included in the project and any person whose property adjoins at any point any property to be included in the project shall be notified personally by mail. All notices must be mailed or posted at least two (2) weeks prior to the meeting.

(9) The merchant electric generating entity or a person acting on behalf of a merchant electric generating entity shall, on or before the date of the public meeting held under subsection (6) of this section, provide notice of all research, testing, or any other activities being planned or considered to:

(a) The Energy and Environment Cabinet;

(b) The Public Service Commission;

(c) The Transportation Cabinet;

(d) The Attorney General; and

(e) The Office of the Governor.

(10) Subsections (6) to (9) of this section shall not apply to any facility or project that has already received a certificate of construction from the board.

➔Section 57. 2026 RS HB 677/EN, Section 26, is amended to read as follows:

(1) Any person seeking to obtain a construction certificate from the board to construct a merchant electric generating facility shall file an application at the office of the Public Service Commission.

(2) A completed application shall include the following:

(a) The name, address, and telephone number of the person proposing to construct and own the merchant electric generating facility;

(b) A full description of the proposed site, including a map showing the distance of the proposed site from residential neighborhoods, the nearest residential structures, schools, and public and private parks that are located within a two (2) mile radius of the proposed facility;

(c) Evidence of public notice that shall include the location of the proposed site and a general description of the project, state that the proposed construction is subject to approval by the board, and provide the

telephone number and address of the Public Service Commission. Public notice shall be given within thirty (30) days immediately preceding the application filing to:

1. Landowners whose property borders the proposed site; and

2. The general public in a newspaper of general circulation in the county or municipality in which the facility is proposed to be located;

(d) A statement certifying that the proposed plant will be in compliance with all local ordinances and regulations concerning noise control and with any local planning and zoning ordinances. The statement shall also disclose setback requirements established by the planning and zoning commission as provided under KRS 278.704(3);

(e) If the facility is not proposed to be located on a site of a former coal processing plant and the facility will use on-site waste coal as a fuel source or in an area where a planning and zoning commission has established a setback requirement pursuant to KRS 278.704(3), a statement that the exhaust stack of the proposed facility and any wind turbine is at least one thousand (1,000) feet from the property boundary of any adjoining property owner and all proposed structures or facilities used in connection with the generation or storage of electricity are two thousand (2,000) feet from any residential neighborhood, school, hospital, or nursing home facility, unless coal or gas-fired generating facilities capable of generating ten megawatts (10MW) or more currently exist on the site. If the facility is proposed to be located on a site of a former coal processing plant and the facility will use on-site waste coal as a fuel source, a statement that the proposed site is compatible with the setback requirements provided under KRS 278.704(5). If the facility is proposed to be located in a jurisdiction that has established setback requirements pursuant to KRS 278.704(3), a statement that the proposed site is in compliance with those established setback requirements;

(f) A complete report of the applicant's public involvement program activities undertaken prior to the filing of the application, including:

1. The scheduling and conducting of a public meeting in the county or counties in which the proposed facility will be constructed at least ninety (90) days prior to the filing of an application, for the purpose of informing the public of the project being considered and receiving comment on it;

2. Evidence that notice of the time, subject, and location of the meeting was published in the newspaper of general circulation in the county, and that individual notice was mailed to all owners of property adjoining the proposed project at least two (2) weeks prior to the meeting; and

3. Any use of media coverage, direct mailing, fliers, newsletters, additional public meetings, establishment of a community advisory group, and any other efforts to obtain local involvement in the siting process;

(g) A summary of the efforts made by the applicant to locate the proposed facility on a site where existing electric generating facilities are located;

(h) Proof of service of a copy of the application upon the chief executive officer of each county and municipal corporation in which the proposed facility is to be located, and upon the chief officer of each public agency charged with the duty of planning land use in the jurisdiction in which the facility is proposed to be located;

(i) An analysis of the proposed facility's projected effect on the electricity transmission system in Kentucky;

(j) An analysis of the proposed facility's economic impact on the affected region and the state;

(k) A detailed listing of all violations by it, or any person with an ownership interest, of federal or state environmental laws, rules, or administrative regulations, whether judicial or administrative, where violations have resulted in criminal convictions or civil or administrative fines exceeding five thousand dollars ($5,000). The status of any pending action, whether judicial or administrative, shall also be submitted;

(l) A site assessment report as specified in KRS 278.708. The applicant may submit and the board may accept documentation of compliance with the National Environmental Policy Act (NEPA) rather than a site assessment report;~~[and]~~

(m) A decommissioning plan that shall describe how the merchant electric generating facility will be decommissioned and dismantled following the end of its useful life. The decommissioning plan shall, at a minimum, include plans to:

1. Unless otherwise requested by the current landowner at the time of decommissioning, remove all above-ground facilities;

2. Unless otherwise requested by the current landowner at the time of decommissioning, remove any underground components and foundations of above-ground facilities. Facilities removed under this subparagraph shall be removed in their entirety, unless the current landowner and the applicant otherwise agree at the time of decommissioning to a different depth;

3. Return the land to a substantially similar state~~[with the same or similar soil quality]~~ as it was prior to the commencement of construction;

4. Unless otherwise requested by the current landowner at the time of decommissioning, leave any interconnection or other facilities in place for future use at the completion of the decommissioning process;

5. Secure a bond or other similar security for the project to assure financial performance of the decommissioning obligation, provided that:

   a. The amount of the proposed bond or similar security shall be determined by an independent, licensed engineer who is experienced in the decommissioning ~~[the type]~~of ***solar*** electric generating ***facilities***~~[facility to be decommissioned]~~ and has no financial interest in either the merchant electric generating facility or any parcel of land upon which the merchant electric generating facility is located. The proposed amount of the bond or similar security shall be ***either***~~[the greater of]~~:

      i. The net present value of the total estimated cost of completing the decommissioning plan; or

      ii. The bond amount required by a county or municipal government that has established a decommissioning bond requirement or similar security obligation in the county or municipality where the merchant electric generating facility will be located. If the facility will be located in more than one (1) county or municipality that has established a decommissioning bond or similar security obligation, then the higher amount shall be required for the facility;

   b. The bond or other similar security names:

      i. For property that is leased by the applicant, each landowner from whom the applicant leases land and the Energy and Environment Cabinet as the primary co-beneficiaries; or

      ii. For property that is owned by the applicant, the Energy and Environment Cabinet as the primary beneficiary;

   c. If the merchant electric generating facility is to be located in a county or municipality that has not established a decommissioning bond or other similar security obligation, the bond or other similar security shall name the county or municipality as a secondary beneficiary with the county's or municipality's consent;

   d. The bond or other similar security shall be provided by an insurance company or surety that shall at all times maintain at least an "Excellent" rating as measured by the AM Best rating agency or an investment grade credit rating by any national credit rating agency and, if available, shall be noncancelable by the provider or the customer until completion of the decommissioning plan or until a replacement bond is secured; and

   e. The bond or other similar security shall provide that at least thirty (30) days prior to its cancellation or lapse, the surety shall notify the applicant, its successor or assign, each landowner, the Energy and Environment Cabinet, and each county or city in which the facility is located of the impending cancellation or lapse. The notice shall specify the reason for the cancellation or lapse and provide any of the parties, either jointly or separately, the opportunity to cure the cancellation or lapse prior to it becoming effective.

The applicant, its successor, or its assign, shall be responsible for all costs incurred by all parties to cure the cancellation or lapse of the bond. Each landowner, or the Energy and Environment Cabinet with the prior approval of each landowner, may make a demand on the bond and initiate and complete the decommissioning plan;

6. Communicate with each affected landowner at the end of the merchant electric generating facility's useful life so that any requests of the landowner that are in addition to the minimum requirements set forth in this paragraph and in addition to any other requirements specified in the lease with the landowner may, in the sole discretion of the applicant or its successor or assign, be accommodated; and

7. Incorporate the requirements of subparagraphs 1. to 6. of this paragraph into the applicant's leases with landowners; and

(n) For applications for the construction of wind power facilities, a statement certifying that:

1. Any wind turbine will not be artificially lighted except as required by law;

2. Wind power facilities will be sited in a manner that minimizes shadowing or flicker impacts; and

3. Any shadowing or flicker impacts will not have a significant adverse impact on neighboring or adjacent property uses through siting or mitigation.

(3) (a) The entity causing the decommissioning plan required under subsection (2)(m) of this section to be carried out shall be entitled to the proceeds from the sale of any salvaged materials or components of the merchant electric generating facility recovered during the decommissioning process.

(b) Any proceeds that the Energy and Environment Cabinet recovers from the sale of salvaged materials or components in the course of carrying out a decommissioning plan under subsection (2)(m) of this section that, taken with the decommissioning bond amounts that have been drawn upon, exceed the cost of completing the decommissioning plan shall be deposited in the merchant electric generating facility monitoring and enforcement fund established in KRS 224.10-285.

(4) Application fees for a construction certificate shall be set by the board and deposited into a trust and agency account to the credit of the commission.

(5) Replacement of a merchant electric generating facility with a like facility, or the repair, modification, retrofitting, enhancement, or reconfiguration of a merchant electric generating facility shall not, for the purposes of this section and KRS 224.10-280, 278.704, 278.708, 278.710, and 278.712, constitute construction of a merchant electric generating facility.

(6) The board shall promulgate administrative regulations prescribing fees to pay expenses associated with its review of applications filed with it pursuant to KRS 278.700 to 278.716. All application fees collected by the board shall be deposited in a trust and agency account to the credit of the Public Service Commission. If a majority of the members of the board find that an applicant's initial fees are insufficient to pay the board's expenses associated with the application, including the board's expenses associated with legal review thereof, the board shall assess a supplemental application fee to cover the additional expenses. An applicant's failure to pay a fee assessed pursuant to this subsection shall be grounds for denial of the application.

➔Section 58. 2026 RS HB 757/VO, Section 9, is amended 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 59. 2026 RS HB 757/VO, Section 71, is amended 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 60. 2026 RS HB 757/VO, Section 97, is amended to read as follows:

As used in KRS 138.210 to 138.448, 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) "Department" means the Department of Revenue;

(9) "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

(b) Does not include unblended kerosene, No. 5 and No. 6 fuel oils as described in ASTM specification D 396, or F-76 Fuel Naval Distillate MILL-F-166884;

(10) "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) "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) "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 Eliott 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***:***

1. 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***~~[,]~~

2. Fuel grade ethanol; and

(c) Does 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) "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) "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) "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) Shall be determined exclusive of any federal gasoline tax and any fee on imported oil imposed by the Congress of the United States;

(19) "Received," "received gasoline," or "received special fuels" means:

(a) 1. 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) 1. 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) "Refinery" means any place where gasoline or special fuel is refined, manufactured, compounded, or otherwise prepared for use;

(21) "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) "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) "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) "Transporter" means any person who transports gasoline or special fuels on which the tax has not been paid or assumed; and

(25) "Wholesale floor price" means two dollars and seventeen and seven-tenths cents ($2.177) per gallon.

➔Section 61. The Kentucky Cabinet for Economic Development is directed to:

(1) Report on the current tax credits and incentives eligible in Kentucky to hyperscale data centers, and data centers. The report shall also include tax credits and incentives in Kentucky's surrounding states relating to hyperscale data centers, and data centers; and

(2) Present the report required in subsection (1) of this section, including any recommendations, to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Economic Development and Workforce Investment by August 1, 2027.

➔Section 62. 26 RS SB 343/GA, Section 1, is amended to read as follows:

(1) There is hereby created the Department of Workers' Claims administratively attached to the Office of the Governor, which shall be headed by a commissioner appointed by the Governor and confirmed by the Senate in accordance with Section 6 of this Act.

(2) The department shall be divided for administrative purposes into the:

(a) Office of the Commissioner;

(b) Office of General Counsel:

(c) Office of Administrative Law Judges;

(d) Division of Claims Processing;

(e) Division of Security and Compliance;

(f) Division of Workers' Compensation Funds; and

(g) Division of Specialist and Medical Services.

(3) The Office of Administrative Law Judges shall be headed by a chief administrative law judge appointed in accordance with Section 7 of this Act.

(4) Each division in the department shall be headed by a director~~[appointed by the commissioner with the approval of the Governor in accordance with KRS 12.050]~~.

(5) The Workers' Compensation Board shall be attached to the Department of Workers' Claims for administrative purposes only.

➔Section 63. Notwithstanding any other provision of law to the contrary:

(1) The Department of Workers' Claims shall retain all classified and unclassified positions and employees that the Department of Workers' Claims had 14 days prior to the transfer from the Education and Labor Cabinet to the Office of the Governor in accordance with 26 RS SB 343/GA, and each employee shall retain his or her position until the Department of Workers' Claims creates any new positions or abolishes any existing position; and

(2) No employee shall suffer any penalty in the transfer from the Education and Labor Cabinet to the Office of the Governor in accordance with 26 RS SB 343/GA.

➔Section 64. 2026 RS HB 757/VO, Section 136, is amended to read as follows:

Sections 9, 10, 71, 72, 107**,** ~~[to 115]~~ and 117 of this Act take effect January 1, 2027.

➔Section 65. 2026 RS HB 757/VO, Section 139, is amended to read as follows:

Sections 114 and 115~~[Section 128]~~ of this Act shall take effect on July 1, ***2027***~~[2026]~~.

➔Section 66. 2026 RS HB 757/VO, Section 140, is amended to read as follows:

Whereas funding the operations of state government is an essential part of the Commonwealth's budget, an emergency is declared to exist, and ***Section 128 of this Act takes effect July 1, 2026, 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.

➔Section 67. The Cabinet for Economic Development's various incentive programs play a vital role in supporting economic development and job growth throughout the Commonwealth. To ensure companies operating within the Commonwealth's border counties are not negatively impacted by employees residing in adjacent states and to encourage companies operating in adjacent states to hire Kentucky residents, the cabinet is encouraged to conduct a feasibility and impact study on interstate reciprocity between state economic development programming. The study shall at a minimum identify any existing models, identify the potential economic impacts of such an arrangement between Kentucky and adjacent states, assess the feasibility and cost implications of implementing those models, and provide recommendations. The Cabinet shall collaborate with the Center for Economic and Entrepreneurial Development at Murray State University to establish the scope of the study. If the cabinet completes such a study, it shall be submitted to the Interim Joint Committee on Economic Development and Workforce Investment by December 1, 2028.

➔Section 68. Sections 40 and 41 of this Act shall apply to estates of decedents who died on or after January 1, 2026.

➔Section 69. Section 60 of this Act takes effect on August 1, 2026.

➔Section 70. Section 53 of this Act takes effect on January 1, 2027.

➔Section 71. Sections 30 to 34 of this Act take effect on July 1, 2027.

➔Section 72. Subsection (5) of Section 44 of this Act shall apply retroactively to require a consolidated local government to only reimburse a fire district for emergency medical responses made on or after July 1, 2025. Subsection (5) of Section 44 of this Act shall also apply retroactively to any matters or litigation that have not been fully and finally adjudicated, or are in the appellate process, or for which time to file an appeal has not lapsed, as of the effective date of Section 44 of this Act.

➔Section 73. Whereas it is critical to ensure a consolidated local government is not required to unnecessarily expend taxpayer funds, an emergency is declared to exist, and Section 54 of this Act takes effect on July 1, 2026, and Sections 36, 44, 51, 64, 65, 66, and 71 of this Act take effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

➔Section 74. The following KRS section is repealed:

154.32-050 Enhanced incentive counties -- Annual identification and certification or decertification -- Criteria -- Multicounty industrial park projects.

➔Section 75. Whereas areas of Kentucky have been impacted by high unemployment an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Signed by Governor April 27, 2026.