

AN ACT relating to tax credits for hiring legally blind or severely disabled individuals.

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) "Full-time equivalent worker" means a measurement of man-hours or hours worked equal to one (1) staff person working two thousand eighty (2,080) hours in one (1) year;

(b) "Legally blind" has the same meaning as in KRS 163.460;

(c) "Nonprofit organization" means a resident nonprofit agency or work center that:

1. Is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code;

2. Provides directly or facilitates the provision of one (1) or more of the following services to individuals who are legally blind or severely disabled so that the individual may maximize opportunities for employment, including career advancement:

a. Assessment of the individual's eligibility and need for vocational rehabilitation;

b. Vocational services;

c. Psychological and social services, including positive behavior management;

d. Testing, fitting, or training in the use of prosthetic and orthotic devices;

e. Recreational therapy;

f. Physical and occupational therapy;

- g. Speech, language, and hearing therapy;*
 - h. Job development, placement, and retention services;*
 - i. Orientation and mobility services for individuals who are legally blind;*
 - j. Psychosocial rehabilitation services;*
 - k. Supported employment services;*
 - l. Personal assistance services; or*
 - m. Services similar to those described in subdivisions a. to l. of this subparagraph; and*
- 3. Is certified by the department as eligible to participate in the community rehabilitation tax credit program established under subsection (2) of this section; and*
- (d) "Severely disabled" means the condition of:*
- 1. A person with a physical disability as defined in KRS 198B.010;*
 - 2. A person with a developmental disability as defined in KRS 387.510;*
 - 3. An individual with an intellectual disability as defined in KRS 210.005; or*
 - 4. A person with mental illness as defined in KRS 210.005.*
- (2) For tax years beginning on or after January 1, 2016, there is hereby created a nonrefundable community rehabilitation tax credit against the tax imposed under KRS 141.020 or 141.040, and KRS 141.0401, with the ordering of credits as provided in Section 2 of this Act.*
- (3) (a) The nonrefundable tax credit shall be equal to five percent (5%) of the amount paid to a nonprofit organization pursuant to a contract with the nonprofit organization, for services performed by individuals who are legally blind or severely disabled, if the compensation paid by the nonprofit organization to the individuals is subject to the tax assessed under KRS*

141.020.

(b) The maximum amount of tax credit that may be claimed by each taxpayer shall not exceed:

1. Twenty-five thousand dollars (\$25,000) per tax year if the taxpayer contracts for and pays for the services of at least five (5) full-time equivalent workers but fewer than ten (10) full-time equivalent workers per tax year; or
2. Fifty thousand dollars (\$50,000) per tax year if the taxpayer contracts for and pays for the services of ten (10) or more full-time equivalent workers per tax year.

(4) A tax credit not used in the tax year generated may be carried forward to the following two (2) consecutive tax years.

(5) A credit shall not be allowed under this section unless the taxpayer includes, with the return on which the credit is claimed, a form prescribed by the department verifying that:

(a) The taxpayer has entered into a contract with a nonprofit organization to provide the required number of individuals to meet the requirements of subsection (3)(b) of this section; and

(b) The nonprofit organization has received payment from the taxpayer for work performed by the required number of individuals that are legally blind or severely disabled during the tax year and amounts paid to the individuals are subject to the tax assessed under KRS 141.020.

(6) The department shall promulgate administrative regulations to establish the procedures and timelines for a nonprofit agency or work center to receive approval as a nonprofit organization.

(7) The department shall publish on its Internet Web site an up-to-date list of nonprofit organizations that qualify to participate in this program.

→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) 1. For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(a);
 2. For taxable years beginning after December 31, 2006, 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, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080;
 - (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 coal incentive credit permitted under KRS 141.0405;
 - (k) The research facilities credit permitted under KRS 141.395;
 - (l) The employer GED incentive credit permitted under KRS 164.0062;
 - (m) The voluntary environmental remediation credit permitted by KRS 141.418;

- (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - (o) The environmental stewardship credit permitted by KRS 154.48-025;
 - (p) The clean coal incentive credit permitted by KRS 141.428;
 - (q) The ethanol credit permitted by KRS 141.4242;
 - (r) The cellulosic ethanol credit permitted by KRS 141.4244;
 - (s) The energy efficiency credits permitted by KRS 141.436;
 - (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
 - (u) The Endow Kentucky credit permitted by KRS 141.438;
 - (v) The New Markets Development Program credit permitted by KRS 141.434;
 - (w) The food donation credit permitted by KRS 141.392;
 - (x) The distilled spirits credit permitted by KRS 141.389;~~[-and]~~
 - (y) The angel investor credit permitted by KRS 141.396; **and**
 - (z) **The community rehabilitation credit permitted by Section 1 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; and
 - (e) The new home credit permitted by KRS 141.388.
- (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) For taxable years beginning after December 31, 2004, and before January 1,

- 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
- (d) The certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b); and
 - (e) The film industry tax credit allowed by KRS 141.383.
- (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, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080;
 - (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 coal incentive credit permitted under KRS 141.0405;
 - (k) The research facilities credit permitted under KRS 141.395;
 - (l) The employer GED incentive credit permitted under KRS 164.0062;
 - (m) The voluntary environmental remediation credit permitted by KRS 141.418;

- (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - (o) The environmental stewardship credit permitted by KRS 154.48-025;
 - (p) The clean coal incentive credit permitted by KRS 141.428;
 - (q) The ethanol credit permitted by KRS 141.4242;
 - (r) The cellulosic ethanol credit permitted by KRS 141.4244;
 - (s) The energy efficiency credits permitted by KRS 141.436;
 - (t) The ENERGY STAR home or ENERGY STAR manufactured home credit permitted by KRS 141.437;
 - (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
 - (v) The railroad expansion credit permitted by KRS 141.386;
 - (w) The Endow Kentucky credit permitted by KRS 141.438;
 - (x) The New Markets Development Program credit permitted by KRS 141.434;
 - (y) The food donation credit permitted by KRS 141.392;~~and~~
 - (z) The distilled spirits credit permitted by KRS 141.389; **and**
 - (aa) The community rehabilitation credit permitted by Section 1 of this Act.**
- (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 and 171.397(1)(b); and
 - (c) The film industry tax credit allowed in KRS 141.383.