

AN ACT relating to reorganization.

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

➔Section 1. KRS 42.0201 is amended to read as follows:

- (1) There is created within the Finance and Administration Cabinet the Office of the Controller.
- (2) The Office of the Controller shall be headed by an executive director appointed by the secretary of the Finance and Administration Cabinet with the approval of the Governor. The executive director shall function as the state controller, who shall be a person qualified by education and experience for the position and held in high professional esteem in the accounting community.
- (3) The state controller shall be the Commonwealth's chief accounting officer and shall be responsible for all aspects of accounting policies and procedures, financial accounting systems, and internal accounting control policies and procedures. The Office of the Controller shall establish guidelines for state personnel administration on issues relating to paycheck distribution dates, assignment of data elements to accurately report labor costs, assignment and tracking of actual expenditures by code, and coverage issues relating to Social Security and Medicare.
- (4) The state controller; the executive director of the Office of Financial Management, Finance and Administration Cabinet; and the state budget director designated under KRS 11.068 shall develop and maintain the Commonwealth's strategic financial management program.
- (5) Executive directors and division directors appointed under this section shall be appointed by the secretary with the approval of the Governor.
- (6) There are established in the Office of the Controller the following organizational entities:
  - (a) The Office of Financial Management, which shall be headed by an executive director, shall have the duties and responsibilities established in KRS 42.410,

and shall serve as administrative staff to the Turnpike Authority of Kentucky.

The executive director shall serve as secretary to the authority;

- (b) The Office of Material and Procurement Services, which shall be headed by an executive director and shall have the duties established in KRS 42.024.

**There are established within the Office of Material and Procurement Services the following organizational entities:**

**1. The Division of Professional Services and Training, which shall be headed by a division director who is appointed by the secretary of the Finance and Administration Cabinet pursuant to KRS 12.050, and who shall report to the executive director; and**

**2. The Division of Contract Management, which shall be headed by a division director who is appointed by the secretary of the Finance and Administration Cabinet pursuant to KRS 12.050, and who shall report to the executive director;**

- (c) The Division of Local Government Services, which shall be headed by a division director and shall be responsible for:

1. Providing property valuation administrators with fiscal, personnel, payroll, training, and other essential administrative support services;
2. Overseeing Kentucky's Social Security coverage program, including but not limited to all aspects of FICA wage reporting for state government and the Commonwealth's Social Security coverage agreement;
3. Serving as liaison between local governments and the federal Internal Revenue Service and Social Security Administration;
4. Serving as the payroll and fiscal officer for the sheriff and clerk in counties over seventy thousand (70,000) in population, disbursing various reimbursements and expenditures to local governments and serving as liaison and conduit for all court fees associated with report of

- state money through the Circuit Courts;
5. Directing the federal employment tax program for state employees; and
  6. Performing state government's duties relating to the county fee system for local entities;
- (d) The Office of Statewide Accounting Services, headed by an executive director appointed by the secretary of the Finance and Administration Cabinet, subject to the approval of the Governor. The executive director shall report directly to the state controller. The office shall perform financial record keeping functions at the state controller's direction, and shall be responsible for the performance of the cabinet's functions outlined in KRS 45.305, 48.800, and other related statutes. There is established within the Office of Statewide Accounting Services the Division of Customer Resource Center, which shall be headed by a division director appointed by the secretary pursuant to KRS 12.050 and who shall report to the executive director of the Office of Statewide Accounting Services. The division shall be responsible for:
1. Providing a help desk for users of state government's financial and procurement system, including state employee users and vendors and payees of the Commonwealth who do, or would like to do, business with the state;
  2. Training state employees in the use of state government's financial and procurement system; and
  3. Assisting cabinet entities in improving the quality of their products and processes; and
- (e) The Division of State Risk and Insurance Services, headed by a division director appointed by the secretary of the Finance and Administration Cabinet, subject to the approval of the Governor. The director shall report directly to the state controller and shall have the duties specified in KRS 42.0651.

➔Section 2. KRS 131.020 is amended to read as follows:

- (1) The Department of Revenue, headed by a commissioner appointed by the secretary with the approval of the Governor, shall be organized into the following functional units:
  - (a) Office of the Commissioner of the Department of Revenue, which shall consist of:
    1. The Division of Special Investigations, headed by a division director who shall report to the commissioner. The division shall investigate alleged violations of the tax laws and recommend criminal prosecution of the laws as warranted; and
    2. The *Division of Taxpayer Ombudsman, headed by a division director who is appointed by the secretary pursuant to KRS 12.050, and who shall report to the commissioner. The division*~~taxpayer ombudsman, who~~ shall perform those duties set out in KRS 131.083;
  - (b) Office of Processing and Enforcement, headed by an executive director who shall report directly to the commissioner. The office shall be responsible for processing documents, depositing funds, collecting debt payments, and coordinating, planning, and implementing a data integrity strategy. The office shall consist of the:
    1. Division of Operations, which shall be responsible for opening all tax returns, preparing the returns for data capture, coordinating the data capture process, depositing receipts, maintaining tax data, and assisting other state agencies with similar operational aspects as negotiated between the department and the other agency;
    2. Division of Collections, which shall be responsible for initiating all collection enforcement activity related to due and owing tax assessments, including protest resolution, and for assisting other state

- agencies with similar collection aspects as negotiated between the department and the other state agency;
3. Division of Registration and Data Integrity, which shall be responsible for registering businesses for tax purposes, ensuring that the data entered into the department's tax systems is accurate and complete, and assisting the taxing areas in proper procedures to ensure the accuracy of the data over time; and
  4. Division of Protest Resolution, which shall be responsible for ensuring an independent review of tax disputes. The division shall administer the protest functions for the department from office resolution through court action;
- (c) Office of Property Valuation. The Office of Property Valuation shall be headed by an executive director who shall report directly to the commissioner. The office shall consist of the:
1. Division of Local Support, which shall be responsible for providing supervision, assistance, and training to the property valuation administrators and sheriffs within the Commonwealth;
  2. Division of State Valuation, which shall be responsible for providing assessments of public service companies and motor vehicles, and providing assistance to property valuation administrators and sheriffs with the administration of tangible and omitted property taxes within the Commonwealth; and
  3. Division of Minerals Taxation and Geographical Information System Services, which shall be responsible for providing geographical information system mapping support, ensuring proper filing of severance tax returns, ensuring consistency of unmined coal assessments, and gathering and providing data to properly assess minerals to the property

valuation administrators within the Commonwealth;

- (d) Office of Sales and Excise Taxes, headed by an executive director who shall report directly to the commissioner. The office shall administer all matters relating to sales and use taxes and miscellaneous excise taxes, including but not limited to technical tax research, compliance, taxpayer assistance, tax-specific training, and publications. The office shall consist of the:
1. Division of Sales and Use Tax, which shall administer the sales and use tax; and
  2. Division of Miscellaneous Taxes, which shall administer various other taxes, including but not limited to alcoholic beverage taxes; cigarette enforcement fees, stamps, meters, and taxes; gasoline tax; bank franchise tax; inheritance and estate tax; insurance premiums and insurance surcharge taxes; motor vehicle tire fees and usage taxes; and special fuels taxes;
- (e) Office of Income Taxation, headed by an executive director who shall report directly to the commissioner. The office shall administer all matters related to income and corporation license taxes, including technical tax research, compliance, taxpayer assistance, tax-specific training, and publications. The office shall consist of the:
1. Division of Individual Income Tax, which shall administer the following taxes or returns: individual income, fiduciary, and employer withholding; and
  2. Division of Corporation Tax, which shall administer the corporation income tax, corporation license tax, pass-through entity withholding, and pass-through entity reporting requirements; and
- (f) Office of Field Operations, headed by an executive director who shall report directly to the commissioner. The office shall manage the regional taxpayer

service centers and the field audit program.

- (2) The functions and duties of the department shall include conducting conferences, administering taxpayer protests, and settling tax controversies on a fair and equitable basis, taking into consideration the hazards of litigation to the Commonwealth of Kentucky and the taxpayer. The mission of the department shall be to afford an opportunity for taxpayers to have an independent informal review of the determinations of the audit functions of the department, and to attempt to fairly and equitably resolve tax controversies at the administrative level.
- (3) The department shall maintain an accounting structure for the one hundred twenty (120) property valuation administrators' offices across the Commonwealth in order to facilitate use of the state payroll system and the budgeting process.
- (4) Except as provided in KRS 131.190(4), the department shall fully cooperate with and make tax information available as prescribed under KRS 131.190(2) to the Governor's Office for Economic Analysis as necessary for the office to perform the tax administration function established in KRS 42.410.
- (5) Executive directors and division directors established under this section shall be appointed by the secretary with the approval of the Governor.

➔Section 3. KRS 131.083 is amended to read as follows:

The department shall provide the services of a *Division of Taxpayer Ombudsman*~~[taxpayer ombudsman]~~ to carry out the spirit and specific purposes of KRS 131.041 to 131.081. The *division*~~[taxpayer ombudsman]~~ shall:

- (1) Coordinate the resolution of taxpayer complaints and problems, if so requested by a taxpayer or the taxpayer's representative;
- (2) Provide recommendations to the department for new or revised informational publications and recommend taxpayer and department employee education programs needed to reduce or eliminate errors or improve voluntary taxpayer compliance;

- (3) Provide recommendations to the department for simplification or other improvements needed in tax laws, regulations, forms, systems, and procedures to promote better understanding and voluntary compliance by taxpayers; and
- (4) At least annually, on or before October 1, prepare and submit a report to the commissioner of the Department of Revenue summarizing the activities of the division~~[taxpayer ombudsman]~~ during the immediately preceding fiscal year, describing any recommendations made pursuant to subsections (2) and (3) of this section, including the progress in implementing such recommendations, and providing such other information as the division~~[taxpayer ombudsman]~~ deems appropriate relating to the rights of Kentucky taxpayers.

➔Section 4. The General Assembly confirms Executive Order 2015-836, dated November 17, 2015, to the extent it is not otherwise confirmed or superseded by this Act.