

1 AN ACT relating to taxation.

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

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

5 *(1) As used in this section:*

6 *(a) 1. "Abandoned building" means a building or structure:*

7 *a. Which is clearly delineated from another building or structure,*  
8 *having its own point of entrance and not having a passage to*  
9 *another building or structure after entering;*

10 *b. Within which at least sixty-six percent (66%) of the total square*  
11 *footage of the building or structure has been continuously closed*  
12 *to business or otherwise nonoperational for income-producing*  
13 *purposes for a period of at least three (3) years prior to a*  
14 *taxpayer filing a notice of intent to rehabilitate;*

15 *c. Which has not been used as a single-family residence*  
16 *immediately preceding abandonment; and*

17 *d. Which is returned to business operation for an income-*  
18 *producing purpose upon rehabilitation.*

19 *2. A building or structure that otherwise qualifies as an "abandoned*  
20 *building" may be divided into separate units or parcels, owned by one*  
21 *(1) or more taxpayers, and each unit or parcel shall be deemed to be*  
22 *an abandoned building for purposes of determining whether each*  
23 *separate unit or parcel is considered to be abandoned;*

24 *(b) "Blighted area" means one (1) or more parcels containing a vacant*  
25 *structure or a vacant or unimproved lot in a predominantly built-up*  
26 *neighborhood:*

27 *1. Which, because of physical condition, has become a public nuisance*

- 1                   according to housing, building, fire, plumbing, nuisance, or other  
2                   related codes;
- 3                   2. Which is unsafe to the public because of abandoned wells, shafts,  
4                   basements, excavations, or deteriorated fences or structures;
- 5                   3. Which is dilapidated, unsanitary, or vermin-infested;
- 6                   4. From which utilities, plumbing, heating, sewerage, electrical, or other  
7                   facilities have been disconnected, destroyed, removed, or rendered  
8                   ineffective so that the property is unfit for its intended use;
- 9                   5. Which is a fire hazard; or
- 10                  6. Which by reason of neglect or lack of maintenance has become a  
11                  place for the accumulation of trash and debris;
- 12                  (c) "Brownfield" means a former industrial or commercial site where future  
13                  use is affected by environmental contamination;
- 14                  (d) "Building site" means a parcel of land within a blighted area upon which  
15                  an abandoned building is located and includes improvements located on the  
16                  parcel immediately surrounding the building directly used for income-  
17                  producing purposes, including parking;
- 18                  (e) "Income-producing purpose" means conducting any business for profit,  
19                  including the operation of a charter, private, or parochial school, but does  
20                  not include the rental of a single-family residence;
- 21                  (f) "Notice of intent to rehabilitate" means a notice submitted by the taxpayer  
22                  to a local taxing authority indicating the taxpayer's intent to rehabilitate an  
23                  abandoned building within the jurisdiction of the local taxing authority.  
24                  The notice shall include the following information:
- 25                  1. The location, including the physical address, of the building site;  
26                  2. The size of the building site in terms of square footage or acreage, as  
27                  appropriate;

- 1           3. a. The amount of square footage within any existing buildings  
2                           located on the building site;  
3                           b. Whether new construction is to be involved; and  
4                           c. If rehabilitation is to occur on more than one (1) building, which  
5                           buildings are to be rehabilitated;  
6           4. The estimated rehabilitation expenses to be incurred at the building  
7                           site; and  
8           5. Any other information required by the department;  
9           (g) "Placed in service" means the date upon which the building site is  
10                           completed and ready for its income-producing purpose. If the building site  
11                           is completed and ready for use in phases or portions, each phase or portion  
12                           is considered to be placed in service when it is completed and ready for its  
13                           income-producing purpose;  
14           (h) "Qualifying rehabilitation expense" means the total amount of  
15                           rehabilitation expense equal to or exceeding:  
16                           1. Two hundred thousand dollars (\$200,000) for any building site located  
17                           in:  
18                           a. A city with a population of one hundred thousand (100,000) or  
19                           more;  
20                           b. The unincorporated area of a county containing a city with a  
21                           population of one hundred thousand (100,000) or more; or  
22                           c. The jurisdiction of an urban-county government; or  
23                           2. One hundred thousand dollars (\$100,000) for any abandoned building  
24                           located in any jurisdiction not listed in subparagraph 1. of this  
25                           paragraph; and  
26           (j) 1. "Rehabilitation expense" means the costs incurred after filing a  
27                           notice of intent to rehabilitate for renovating or redeveloping an

- 1 abandoned building, and includes any additional costs for:  
2 a. Demolition, renovation, or redevelopment of a building site;  
3 b. Environmental remediation, including brownfield rehabilitation;  
4 c. Site improvements;  
5 d. Construction of new buildings; or  
6 e. Any other improvements on the building site.

- 7 2. "Rehabilitation expense" does not include costs for:  
8 a. Acquiring the building site;  
9 b. Acquiring or installing any personal property located at the  
10 building site;  
11 c. Demolition of a building if the building is listed on the National  
12 Register of Historic Places; or  
13 d. Increasing the amount of square footage within any building on  
14 the building site in excess of two hundred percent (200%) of the  
15 amount of square footage of that building as it existed when the  
16 notice of intent to rehabilitate was filed.

17 (2) (a) For taxable years beginning on and after January 1, 2018, but before  
18 January 1, 2023, there is hereby created a nonrefundable abandoned  
19 building credit against the tax imposed by KRS 141.020 or 141.040 and  
20 141.0401, with the ordering of the credits as provided in Section 2 of this  
21 Act in an amount equal to the qualifying rehabilitation expense.

- 22 (b) The abandoned building credit created in paragraph (a) of this subsection:  
23 1. Shall be earned in the taxable year in which the building site, or  
24 portion thereof, is placed in service;  
25 2. Shall be taken in equal installments over five (5) taxable years,  
26 beginning with the taxable year in which the building site, or portion  
27 thereof, is placed in service;

- 1           3. May be carried forward, if not fully utilized within the applicable  
2           taxable year, for a period not to exceed five (5) taxable years;
- 3           4. Shall not exceed a total of five hundred thousand dollars (\$500,000)  
4           for any building site;
- 5           5. Shall not exceed fifty percent (50%) of the greater of:  
6           a. The taxpayer's income tax liability for the taxable year; or  
7           b. The taxpayer's limited liability entity tax liability for the taxable  
8           year; and
- 9           6. Shall not be allowed if the taxpayer qualifies for the certified  
10           rehabilitation credit permitted by KRS 171.397.
- 11   (3) (a) If the taxpayer sells or leases the building site, or portion thereof, the  
12   taxpayer may transfer any remaining credit associated with the qualifying  
13   rehabilitation expenses incurred for the building site, or portion thereof.
- 14   (b) Prior to the transfer of any credit, the taxpayer shall notify the department  
15   of the pending transfer and shall provide on forms prescribed by the  
16   department:
- 17           1. The name, address, and employer identification number of the  
18           taxpayer to which the credit shall be transferred;
- 19           2. The amount of credit, or portion thereof, to be transferred; and  
20           3. Any additional information required by the department.
- 21   (4) (a) If the taxpayer is a pass-through entity not subject to the tax imposed by  
22   KRS 141.040, the amount of approved credit shall be applied against the tax  
23   imposed by KRS 141.0401 at the entity level, and shall also be distributed to  
24   each partner, member, or shareholder based on the partner's, member's, or  
25   shareholder's distributive share of the income of the pass-through entity.
- 26   (b) Each pass-through entity shall annually notify the department of all  
27   partners, members, or shareholders who may claim any amount of the

1 approved credit. Failure to notify the department as prescribed may  
2 constitute the forfeiture of available credits to all partners, members, or  
3 shareholders associated with the pass-through entity.

4 (5) If a taxpayer owned the building site when the site was operational and  
5 immediately prior to its abandonment, the taxpayer shall not be eligible for the  
6 credit provided by subsection (2) of this section.

7 (6) (a) The purpose of the abandoned building credit is to revitalize brownfield and  
8 blighted areas of the Commonwealth.

9 (b) Beginning December 1, 2019, and on or before December 1 annually  
10 thereafter, the department shall submit a report to the Legislative Research  
11 Commission containing statistics related to the abandoned building credit,  
12 including:

13 1. The number of tax returns, by the tax type of return filed, claiming the  
14 credit for each taxable year;

15 2. The total amount of credit claimed on tax returns, by the tax type of  
16 return filed, for each taxable year;

17 3. The number of abandoned buildings by county based on the location  
18 of the abandoned building for which the credit is claimed for each  
19 taxable year;

20 4. The total of credit claimed by county based on the location of the  
21 abandoned building for which the credit is claimed for each taxable  
22 year; and

23 5. a. In the case of taxpayers other than corporations, based on  
24 ranges of adjusted gross income of no larger than five thousand  
25 dollars (\$5,000), the total amount of credit claimed for each  
26 adjusted gross income range; and

27 b. In the case of corporations, based on ranges of net income of no



- 1 (l) The employer GED incentive credit permitted ~~by~~under KRS 164.0062;
- 2 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 3 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 4 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 5 (p) The clean coal incentive credit permitted by KRS 141.428;
- 6 (q) The ethanol credit permitted by KRS 141.4242;
- 7 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- 8 (s) The energy efficiency credits permitted by KRS 141.436;
- 9 (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 10 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 11 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 12 (w) The food donation credit permitted by KRS 141.392;
- 13 (x) The distilled spirits credit permitted by KRS 141.389;~~and~~
- 14 (y) The angel investor credit permitted by KRS 141.396; and
- 15 (z) *The abandoned building credit permitted by Section 1 of this Act.*
- 16 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 17 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 18 shall be taken in the following order:
- 19 (a) The individual credits permitted by KRS 141.020(3);
- 20 (b) The credit permitted by KRS 141.066;
- 21 (c) The tuition credit permitted by KRS 141.069;
- 22 (d) The household and dependent care credit permitted by KRS 141.067; and
- 23 (e) The new home credit permitted by KRS 141.388.
- 24 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 25 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 26 taken in the following order:
- 27 (a) The individual withholding tax credit permitted by KRS 141.350;



- 1 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 2 (c) For taxable years beginning after December 31, 2004, and before January 1,  
3 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
- 4 (d) The certified rehabilitation credit permitted by KRS 171.3961 and  
5 171.397(1)(b); and
- 6 (e) The film industry tax credit ~~permitted~~permitted by KRS 141.383.
- 7 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the  
8 tax imposed by KRS 141.040.
- 9 (5) The following nonrefundable credits shall be applied against the sum of the tax  
10 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)  
11 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 12 (a) The economic development credits computed under KRS 141.347, 141.381,  
13 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-  
14 2088, and 154.27-080;
- 15 (b) The qualified farming operation credit permitted by KRS 141.412;
- 16 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 17 (d) The health insurance credit permitted by KRS 141.062;
- 18 (e) The unemployment credit permitted by KRS 141.065;
- 19 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 20 (g) The coal conversion credit permitted by KRS 141.041;
- 21 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods  
22 ending prior to January 1, 2008;
- 23 (i) The tax credit for cash contributions to investment funds permitted by KRS  
24 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
25 154.20-258;
- 26 (j) The coal incentive credit permitted ~~by~~by KRS 141.0405;
- 27 (k) The research facilities credit permitted ~~by~~by KRS 141.395;

- 1 (l) The employer GED incentive credit permitted ~~by~~<sup>under</sup> KRS 164.0062;
- 2 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 3 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 4 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 5 (p) The clean coal incentive credit permitted by KRS 141.428;
- 6 (q) The ethanol credit permitted by KRS 141.4242;
- 7 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- 8 (s) The energy efficiency credits permitted by KRS 141.436;
- 9 (t) The ENERGY STAR home or ENERGY STAR manufactured home credit
- 10 permitted by KRS 141.437;
- 11 (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 12 (v) The railroad expansion credit permitted by KRS 141.386;
- 13 (w) The Endow Kentucky credit permitted by KRS 141.438;
- 14 (x) The New Markets Development Program credit permitted by KRS 141.434;
- 15 (y) The food donation credit permitted by KRS 141.392;~~and~~
- 16 (z) The distilled spirits credit permitted by KRS 141.389; **and**
- 17 **(aa) The abandoned building credit permitted by Section 1 of this Act.**
- 18 (6) After the application of the nonrefundable credits in subsection (5) of this section,
- 19 the refundable credits shall be taken in the following order:
- 20 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 21 (b) The certified rehabilitation credit permitted by KRS 171.3961 and
- 22 171.397(1)(b); and
- 23 (c) The film industry tax credit **permitted by**~~allowed in~~ KRS 141.383.
- 24 ➔Section 3. KRS 154.32-080 is amended to read as follows:
- 25 (1) Subject to the availability of funds and approval by the General Assembly:~~;~~
- 26 **(a)** A preliminarily approved company with an investment of five hundred million
- 27 dollars (\$500,000,000) or more; **or**

1       **(b) A preliminarily approved company also qualifying for the abandoned**  
2       **building tax credit permitted by Section 1 of this Act with an investment of**  
3       **one million dollars (\$1,000,000) or more;**

4       may be eligible for the advance disbursement of a portion of the incentives provided  
5       under this subchapter. The amount of the advance disbursement shall be based on  
6       the employment of Kentucky residents during the construction of the economic  
7       development project, shall be negotiated with the authority, and shall not exceed the  
8       limitations established by this section.

9       (2) The authority shall compute the maximum amount of the advance disbursement  
10      employment incentive as follows:

11      (a) The base amount shall equal the total investment specified in the tax incentive  
12      agreement multiplied by the labor intensity factor as determined in paragraph  
13      (c) of this subsection;

14      (b) The base amount shall then be multiplied by the Kentucky resident factor as  
15      determined in paragraph (d) of this subsection. The resulting amount shall be  
16      the maximum advance disbursement employment incentive that the authority  
17      may approve;

18      (c) The labor intensity factor shall be:

19          1. Twenty-five percent (25%) if the estimated labor component for the  
20          economic development project is greater than thirty percent (30%) of the  
21          total investment;

22          2. Twenty percent (20%) if the estimated labor component for the  
23          economic development project is greater than twenty-five percent (25%)  
24          but less than or equal to thirty percent (30%) of the total investment; or

25          3. Fifteen percent (15%) if the estimated labor component for the economic  
26          development project is equal to or less than twenty-five percent (25%) of  
27          the total capital investment; and

- 1 (d) The Kentucky resident factor shall be four percent (4%) multiplied by a  
2 fraction, the numerator of which shall be the estimated total gross wages that  
3 will be paid to Kentucky residents who are working on the construction,  
4 retrofit, or upgrade of the economic development project, and the denominator  
5 of which shall be the estimated total gross wages that will be paid to all  
6 workers working on the construction, retrofit, or upgrade of the economic  
7 development project.
- 8 (3) In negotiating an advance disbursement, the authority shall consider the possible  
9 increased risk to the Commonwealth associated with the disbursement of funds  
10 prior to project completion, should the preliminarily approved company fail to  
11 comply with the terms of the loan agreement or tax incentive agreement.
- 12 (4) The authority and the preliminarily approved company shall enter into a loan  
13 agreement as provided in KRS 154.32-030(1)(b)2. The loan agreement shall include  
14 but not be limited to:
- 15 (a) A schedule for the disbursement of funds to the preliminarily approved  
16 company;
- 17 (b) Identification of the collateral or other forms of assurance required to mitigate  
18 the risk to the Commonwealth;
- 19 (c) A provision that requires a reduction or adjustment in the incentives the  
20 approved company is scheduled to receive after activation of the economic  
21 development project until the advanced disbursement has been repaid. The  
22 amount by which the incentives are reduced shall be applied as a credit against  
23 the amount owed by the approved company for the advanced disbursement;
- 24 (d) A repayment schedule, which shall require uniform incremental payments to  
25 the extent possible, and which shall include the amount of interest due, the  
26 time period over which the advance disbursement amount shall be repaid, and  
27 the amount due each year; and

1 (e) An alternative method for payment if incentives are not sufficient to cover the  
2 amount of any payment due as set forth in the repayment schedule.

3 (5) The department shall monitor the total incentives for which an approved company is  
4 eligible. Any portion of the incentives identified in the tax incentive agreement as  
5 being devoted to the repayment of an advance disbursement shall be deducted from  
6 the balance of approved costs available for recovery by the approved company, and  
7 the department shall forward the amount deducted to the Cabinet for Economic  
8 Development, Department of Financial Incentives, for deposit in the authority's  
9 account. The timing of all reporting and fund transfers shall be established by  
10 agreement between the department and the authority.

11 (6) During the period when an approved company's incentives are being applied to  
12 repay an advance disbursement, the approved company shall, at the direction of the  
13 authority or the department, file all required requests for incentives, submit all  
14 required remittances, make all required tax payments, and provide the department  
15 and the authority any information that would normally be required for the approved  
16 company to receive incentives.

17 ➔Section 4. KRS 131.190 is amended to read as follows:

18 (1)~~[(a)]~~ No present or former commissioner or employee of the department ~~[of~~  
19 ~~Revenue]~~, present or former member of a county board of assessment appeals,  
20 present or former property valuation administrator or employee, present or former  
21 secretary or employee of the Finance and Administration Cabinet, former secretary  
22 or employee of the Revenue Cabinet, or any other person, shall intentionally and  
23 without authorization inspect or divulge any information acquired by him of the  
24 affairs of any person, or information regarding the tax schedules, returns, or reports  
25 required to be filed with the department or other proper officer, or any information  
26 produced by a hearing or investigation, insofar as the information may have to do  
27 with the affairs of the person's business.

1 ~~(2)~~~~(b)~~ The prohibition established by subsection (1)~~paragraph (a)~~ of this section  
2 shall~~subsection does~~ not extend to:

3 (a)~~1.~~ Information required in prosecutions for making false reports or returns  
4 of property for taxation, or any other infraction of the tax laws;

5 (b)~~2.~~ Any matter properly entered upon any assessment record, or in any way  
6 made a matter of public record;

7 (c)~~3.~~ Furnishing any taxpayer or his properly authorized agent with  
8 information respecting his own return;

9 (d)~~4.~~ Testimony provided by the commissioner or any employee of the  
10 department~~of Revenue~~ in any court, or the introduction as evidence of  
11 returns or reports filed with the department, in an action for violation of state  
12 or federal tax laws or in any action challenging state or federal tax laws;

13 (e)~~5.~~ Providing an owner of unmined coal, oil or gas reserves, and other  
14 mineral or energy resources assessed under KRS 132.820~~(1)~~, or owners of  
15 surface land under which the unmined minerals lie, factual information about  
16 the owner's property derived from third-party returns filed for that owner's  
17 property, under the provisions of KRS 132.820~~(2)~~, that is used to determine  
18 the owner's assessment. This information shall be provided to the owner on a  
19 confidential basis, and the owner shall be subject to the penalties provided in  
20 KRS 131.990(2). The third-party filer shall be given prior notice of any  
21 disclosure of information to the owner that was provided by the third-party  
22 filer;

23 (f)~~6.~~ Providing to a third-party purchaser pursuant to an order entered in a  
24 foreclosure action filed in a court of competent jurisdiction, factual  
25 information related to the owner or lessee of coal, oil, gas reserves, or any  
26 other mineral resources assessed under KRS 132.820~~(1)~~. The department  
27 may promulgate an administrative regulation establishing a fee schedule for

1 the provision of the information described in this ~~paragraph~~<sup>[subparagraph]</sup>.  
2 Any fee imposed shall not exceed the greater of the actual cost of providing  
3 the information or ten dollars (\$10);~~or~~

4 ~~(g)~~<sup>[7.]</sup> Providing information to a licensing agency, the Transportation Cabinet,  
5 or the Kentucky Supreme Court under KRS 131.1817;

6 *(h) Statistics of gasoline and special fuels gallonage reported to the department*  
7 *under KRS 138.210 to 138.448;*

8 *(i) Statistics of crude oil reported to the department under the crude oil excise*  
9 *tax requirements of KRS Chapter 137;*

10 *(j) Statistics of natural gas production reported to the department under the*  
11 *natural resources severance tax requirements of KRS Chapter 143A;*

12 *(k) Those portions of mine maps submitted by taxpayers to the department*  
13 *pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the*  
14 *boundaries of mined-out parcel areas. These electronic maps shall not be*  
15 *relied upon to determine actual boundaries of mined-out parcel areas.*  
16 *Property boundaries contained in mine maps required under KRS Chapters*  
17 *350 and 352 shall not be construed to constitute land surveying or boundary*  
18 *surveys defined by KRS 322.010 and any administrative regulations*  
19 *promulgated thereto;*

20 *(l) Providing to other state agencies the report, filed with the department by an*  
21 *employer, listing the policy number and the name and address of the*  
22 *employer's workers' compensation insurance carrier under Section 5 of this*  
23 *Act;*

24 *(m) The name and address of a cigarette stamping agent or distributor and the*  
25 *number of sticks by brand name that have been purchased from a*  
26 *nonparticipating manufacturer and have been stamped with Kentucky*  
27 *stamps by that agent or distributor provided by Section 6 of this Act;*

1 (n) A list of taxpayers that owe delinquent taxes or fees administered by the  
 2 department provided by Section 7 of this Act;

3 (o) Providing any utility gross receipts license tax return information that is  
 4 necessary to administer the provisions of KRS 160.613 to 160.617 to  
 5 applicable school districts on a confidential basis;

6 (p) Information made available by the department, for official use only and on  
 7 a confidential basis, to the proper officer, agency, board, or commission of  
 8 this state, any Kentucky city or county, any other state, or the federal  
 9 government, under reciprocal agreements whereby the department shall  
 10 receive similar or useful information in return; or

11 (q) Providing information to the Legislative Research Commission under:

12 1. KRS 139.519 for purposes of the sales and use tax refund on building  
 13 materials used for disaster recovery;

14 2. KRS 141.436 for purposes of the energy efficiency products credits;

15 3. KRS 141.437 for purposes of the ENERGY STAR home and the  
 16 ENERGY STAR manufactured home credits;

17 4. Section 9 of this Act for purposes of the distilled spirits credit; or

18 5. Section 1 of this Act for purposes of the abandoned building credit.

19 ~~(3) [(2) — The commissioner shall make available any information for official use only~~  
 20 ~~and on a confidential basis to the proper officer, agency, board or commission of~~  
 21 ~~this state, any Kentucky county, any Kentucky city, any other state, or the federal~~  
 22 ~~government, under reciprocal agreements whereby the department shall receive~~  
 23 ~~similar or useful information in return.~~

24 ~~(3) — Statistics of tax paid gasoline gallonage reported monthly to the department of~~  
 25 ~~Revenue under the gasoline excise tax law may be made public by the department.~~

26 ~~(4) — Access to and inspection of information received from the Internal Revenue Service~~  
 27 ~~is for department [of Revenue] use only, and is restricted to tax administration~~



1 purposes.~~[ Notwithstanding the provisions of this section to the contrary,]~~  
2 Information received from the Internal Revenue Service shall not be made available  
3 to any other agency of state government, or any county, city, or other state, and shall  
4 not be inspected intentionally and without authorization by any present secretary or  
5 employee of the Finance and Administration Cabinet, commissioner or employee of  
6 the department~~[of Revenue]~~, or any other person.

7 ~~[(5) Statistics of crude oil as reported to the Department of Revenue under the crude oil~~  
8 ~~excise tax requirements of KRS Chapter 137 and statistics of natural gas production~~  
9 ~~as reported to the Department of Revenue under the natural resources severance tax~~  
10 ~~requirements of KRS Chapter 143A may be made public by the department by~~  
11 ~~release to the Energy and Environment Cabinet, Department for Natural Resources.~~

12 ~~(6) Notwithstanding any provision of law to the contrary, beginning with mine map~~  
13 ~~submissions for the 1989 tax year, the department may make public or divulge only~~  
14 ~~those portions of mine maps submitted by taxpayers to the department pursuant to~~  
15 ~~KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-~~  
16 ~~out parcel areas. These electronic maps shall not be relied upon to determine actual~~  
17 ~~boundaries of mined-out parcel areas. Property boundaries contained in mine maps~~  
18 ~~required under KRS Chapters 350 and 352 shall not be construed to constitute land~~  
19 ~~surveying or boundary surveys as defined by KRS 322.010 and any administrative~~  
20 ~~regulations promulgated thereto.~~

21 ~~(7) Notwithstanding any other provision of the Kentucky Revised Statutes, The~~  
22 ~~department may divulge to the applicable school districts on a confidential basis any~~  
23 ~~utility gross receipts license tax return information that is necessary to administer~~  
24 ~~the provisions of KRS 160.613 to 160.617.]~~

25 ➔Section 5. KRS 131.135 is amended to read as follows:

26 ~~[(1) ]~~Each employer subject to KRS Chapter 342 shall file annually with the  
27 department~~[of Revenue]~~, in accordance with administrative regulations, a report

1 providing the policy number and the name and address of the employer's workers'  
2 compensation insurance carrier.†

3 ~~(2) The report may be made available to other state agencies notwithstanding the~~  
4 ~~confidentiality provisions of KRS 131.190.]~~

5 ➔Section 6. KRS 131.618 is amended to read as follows:

6 (1) ~~[Notwithstanding KRS 131.190, ]~~The commissioner is authorized to disclose to the  
7 Attorney General the name and address of a stamping agent or distributor and the  
8 number of sticks by brand name that have been purchased from a nonparticipating  
9 manufacturer and have been stamped with Kentucky stamps by that agent or  
10 distributor. The Attorney General may share this information with federal, other  
11 state, or local agencies only for the purposes of enforcement of KRS 131.600 to  
12 131.630 or corresponding laws of other states. The Attorney General is further  
13 authorized to disclose to a nonparticipating manufacturer or its importers this  
14 information that has been provided by a stamping agent regarding the purchases  
15 from that nonparticipating manufacturer or its importers. This information provided  
16 by a stamping agent may be used in any enforcement action against the  
17 nonparticipating manufacturer or its importers by the Attorney General.

18 (2) In addition to the information required to be submitted pursuant to KRS 131.608,  
19 131.614, and 131.620, the Attorney General or the commissioner may require a  
20 stamping agent, distributor, participating manufacturer, nonparticipating  
21 manufacturer, or a nonparticipating manufacturer's importers to submit any  
22 additional information including but not limited to samples of the packaging or  
23 labeling of each brand family as is necessary to enable the Attorney General to  
24 determine whether the participating manufacturer or the nonparticipating  
25 manufacturer and its importers are in compliance with KRS 131.600 to 131.630.

26 ➔Section 7. KRS 131.650 is amended to read as follows:

27 (1) ~~[Notwithstanding the provisions of KRS 131.190 or any other confidentiality law to~~

1 ~~the contrary,~~ The department may publish a list or lists of taxpayers that owe  
2 delinquent taxes or fees administered by the department ~~[of Revenue]~~, and that meet  
3 the requirements of KRS 131.652.

4 (2) For purposes of this section, a taxpayer may be included on a list if:

5 (a) The taxes or fees owed remain unpaid at least forty-five (45) days after the  
6 dates they became due and payable; and

7 (b) A tax lien or judgment lien has been filed of public record against the taxpayer  
8 before notice is given under KRS 131.654.

9 (3) In the case of listed taxpayers that are business entities, the department ~~[of~~  
10 ~~Revenue]~~ may also list the names of responsible persons assessed pursuant to KRS  
11 136.565, 138.885, 139.185, 141.340, and 142.357 for listed liabilities, who are not  
12 protected from publication by subsection (2) of this section, and for whom the  
13 requirements of KRS 131.652 are satisfied with regard to the personal assessment.

14 (4) Before any list is published under this section, the department shall document that  
15 each of the conditions for publication as provided in this section has been satisfied,  
16 and that procedures were followed to ensure the accuracy of the list and notice was  
17 given to the affected taxpayers.

18 ➔Section 8. KRS 131.990 is amended to read as follows:

19 (1) Any person who fails or refuses to obey a subpoena or order of the Kentucky Board  
20 of Tax Appeals made pursuant to KRS Chapter 13B shall be fined not less than  
21 twenty-five dollars (\$25) nor more than five hundred dollars (\$500).

22 (2) (a) Any person who violates the intentional unauthorized inspection provisions of  
23 KRS 131.190(1) shall be fined not more than five hundred dollars (\$500) or  
24 imprisoned for not more than six (6) months, or both.

25 (b) Any person who violates the provisions of KRS 131.190(1) by divulging  
26 confidential taxpayer information shall be fined not more than one thousand  
27 dollars (\$1,000) or imprisoned for not more than one (1) year, or both.

- 1 (c) Any person who violates the intentional unauthorized inspection provisions of  
2 KRS 131.190~~(3)~~~~((4))~~ shall be fined not more than one thousand dollars  
3 (\$1,000) or imprisoned for not more than one (1) year, or both.
- 4 (d) Any person who violates the provisions of KRS 131.190~~(3)~~~~((4))~~ by divulging  
5 confidential taxpayer information shall be fined not more than five thousand  
6 dollars (\$5,000) or imprisoned for not more than five (5) years, or both.
- 7 (e) Any present secretary or employee of the Finance and Administration Cabinet,  
8 commissioner or employee of the department, member of a county board of  
9 assessment appeals, property valuation administrator or employee, or any  
10 other person, who violates the provisions of KRS 131.190(1) or ~~(3)~~~~((4))~~ may,  
11 in addition to the penalties imposed under this subsection, be disqualified and  
12 removed from office or employment.
- 13 (3) Any person who willfully fails to comply with the rules and regulations  
14 promulgated by the department for the administration of delinquent tax collections  
15 shall be fined not less than twenty dollars (\$20) nor more than one thousand dollars  
16 (\$1,000).
- 17 (4) Any person who fails to do any act required or does any act forbidden by KRS  
18 131.210 shall be fined not less than ten dollars (\$10) nor more than five hundred  
19 dollars (\$500).
- 20 (5) Any person who fails to comply with the provisions of KRS 131.155 shall, unless it  
21 is shown to the satisfaction of the department that the failure is due to reasonable  
22 cause, pay a penalty of one-half of one percent (0.5%) of the amount that should  
23 have been remitted under the provisions of KRS 131.155 for each failure to comply.
- 24 (6) (a) Any person or financial institution that fails to comply with the provisions of  
25 KRS 131.672 and 131.674 within ninety (90) days after notification by the  
26 department shall, unless the failure is due to reasonable cause as defined in  
27 KRS 131.010, be fined not less than one thousand dollars (\$1,000) and no

1 more than five thousand dollars (\$5,000) for each full month of  
2 noncompliance. The fine shall begin on the first day of the month beginning  
3 after the expiration of the ninety (90) days.

4 (b) Any financial institution that fails or refuses to comply with the provisions of  
5 KRS 131.672 and 131.674 within one hundred twenty (120) days after the  
6 notification by the department shall, unless the failure is due to reasonable  
7 cause as defined in KRS 131.010, forfeit its right to do business within the  
8 Commonwealth, unless and until the financial institution is in compliance.  
9 Upon notification by the department, the commissioner of the Department of  
10 Financial Institutions shall, as applicable, revoke the authority of the financial  
11 institution or its agents to do business in the Commonwealth.

12 (7) Any taxpayer or tax return preparer who fails or refuses to comply with the  
13 provisions of KRS 131.250 or an administrative regulation promulgated under KRS  
14 131.250 shall, unless it is shown to the satisfaction of the department that the failure  
15 is due to reasonable cause, pay a return processing fee of ten dollars (\$10) for each  
16 return not filed as required.

17 ➔Section 9. KRS 141.389 is amended to read as follows:

18 (1) (a) There shall be allowed a nonrefundable and nontransferable credit to each  
19 taxpayer paying the distilled spirits ad valorem tax as follows:

20 1. For taxable years beginning on or after January 1, 2015, and before  
21 December 31, 2015, the credit shall be equal to twenty percent (20%) of  
22 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
23 timely basis;

24 2. For taxable years beginning on or after January 1, 2016, and before  
25 December 31, 2016, the credit shall be equal to forty percent (40%) of  
26 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
27 timely basis;

- 1           3. For taxable years beginning on or after January 1, 2017, and before  
2           December 31, 2017, the credit shall be equal to sixty percent (60%) of  
3           the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
4           timely basis;
- 5           4. For taxable years beginning on or after January 1, 2018, and before  
6           December 31, 2018, the credit shall be equal to eighty percent (80%) of  
7           the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
8           timely basis; and
- 9           5. For taxable years beginning on or after January 1, 2019, the credit shall  
10          be equal to one hundred percent (100%) of the tax assessed under KRS  
11          132.160 and paid under KRS 132.180 on a timely basis.
- 12          (b) The credit shall be applied both to the income tax imposed under KRS  
13          141.020 or 141.040 and to the limited liability entity tax imposed under KRS  
14          141.0401, with the ordering of the credits as provided in KRS 141.0205.
- 15   (2) The amount of distilled spirits credit allowed under subsection (1) of this section  
16          shall be used only for capital improvements at the premises of the distiller licensed  
17          pursuant to KRS Chapter 243. As used in this subsection, "capital improvement"  
18          means any costs associated with:
- 19          (a) Construction, replacement, or remodeling of warehouses or facilities;
- 20          (b) Purchases of barrels and pallets used for the storage and aging of distilled  
21          spirits in maturing warehouses;
- 22          (c) Acquisition, construction, or installation of equipment for the use in the  
23          manufacture, bottling, or shipment of distilled spirits;
- 24          (d) Addition or replacement of access roads or parking facilities; and
- 25          (e) Construction, replacement, or remodeling of facilities to market or promote  
26          tourism, including but not limited to a visitor's center.
- 27   (3) The distilled spirits credit allowed under subsection (1) of this section:

- 1 (a) May be accumulated for multiple taxable years;
- 2 (b) Shall be claimed on the return of the taxpayer filed for the taxable year during  
3 which the credits were used pursuant to subsection (2) of this section; and
- 4 (c) Shall not include:
- 5 1. Any delinquent tax paid to the Commonwealth; or
- 6 2. Any interest, fees, or penalty paid to the Commonwealth.
- 7 (4) (a) Before the distilled spirits credit shall be allowed on any return, the capital  
8 improvements required by subsection (2) of this section shall be completed  
9 and specifically associated with the credit allowed on the return.
- 10 (b) The amount of distilled spirits credit allowed shall be recaptured if the capital  
11 improvement associated with the credit is sold or otherwise disposed of prior  
12 to the exhaustion of the useful life of the asset for Kentucky depreciation  
13 purposes.
- 14 (c) If the allowed credit is associated with multiple capital improvements, and not  
15 all capital improvements are sold or otherwise disposed of, the distilled spirits  
16 credit shall be prorated based on the cost of the capital improvement sold over  
17 the total cost of all improvements associated with the credit.
- 18 (5) If the taxpayer is a pass-through entity, the taxpayer may apply the credit against the  
19 limited liability entity tax imposed by KRS 141.0401, and shall pass the credit  
20 through to its members, partners, or shareholders in the same proportion as the  
21 distributive share of income or loss is passed through.
- 22 (6) The department may promulgate an administrative regulation pursuant to KRS  
23 Chapter 13A to implement the allowable credit under this section, require the filing  
24 of forms designed by the department, and require specific information for the  
25 evaluation of the credit taken by any taxpayer.
- 26 (7) ~~Notwithstanding KRS 131.190,~~ No later than September 1, 2016, and annually  
27 thereafter, the department shall report to the Interim Joint Committee on

1 Appropriations and Revenue:

2 (a) The name of each taxpayer taking the credit permitted by subsection (1) of  
3 this section;

4 (b) The amount of credit taken by that taxpayer; and

5 (c) The type of capital improvement made for which the credit is claimed.

6 ➔Section 10. KRS 131.020 is amended to read as follows:

7 (1) The department~~[of Revenue]~~, headed by a commissioner appointed by the secretary  
8 with the approval of the Governor, shall be organized into the following functional  
9 units:

10 (a) Office of the Commissioner~~[of the Department of Revenue]~~, which shall  
11 consist of:

12 1. The Division of Special Investigations, headed by a division director  
13 who shall report to the commissioner. The division shall investigate  
14 alleged violations of the tax laws and recommend criminal prosecution  
15 of the laws as warranted; and

16 2. The Division of Taxpayer Ombudsman, headed by a division director  
17 who is appointed by the secretary pursuant to KRS 12.050, and who  
18 shall report to the commissioner. The division shall perform those duties  
19 set out in KRS 131.083;

20 (b) Office of Processing and Enforcement, headed by an executive director who  
21 shall report directly to the commissioner. The office shall be responsible for  
22 processing documents, depositing funds, collecting debt payments, and  
23 coordinating, planning, and implementing a data integrity strategy. The office  
24 shall consist of the:

25 1. Division of Operations, which shall be responsible for opening all tax  
26 returns, preparing the returns for data capture, coordinating the data  
27 capture process, depositing receipts, maintaining tax data, and assisting



- 1 other state agencies with similar operational aspects as negotiated  
2 between the department and the other agency;
- 3 2. Division of Collections, which shall be responsible for initiating all  
4 collection enforcement activity related to due and owing tax  
5 assessments, including protest resolution, and for assisting other state  
6 agencies with similar collection aspects as negotiated between the  
7 department and the other state agency;
- 8 3. Division of Registration and Data Integrity, which shall be responsible  
9 for registering businesses for tax purposes, ensuring that the data entered  
10 into the department's tax systems is accurate and complete, and assisting  
11 the taxing areas in proper procedures to ensure the accuracy of the data  
12 over time; and
- 13 4. Division of Protest Resolution, which shall be responsible for ensuring  
14 an independent review of tax disputes. The division shall administer the  
15 protest functions for the department from office resolution through court  
16 action;
- 17 (c) Office of Property Valuation, ~~the Office of Property Valuation shall be~~  
18 headed by an executive director who shall report directly to the commissioner.  
19 The office shall consist of the:
- 20 1. Division of Local Support, which shall be responsible for providing  
21 supervision, assistance, and training to the property valuation  
22 administrators and sheriffs within the Commonwealth;
- 23 2. Division of State Valuation, which shall be responsible for providing  
24 assessments of public service companies and motor vehicles, and  
25 providing assistance to property valuation administrators and sheriffs  
26 with the administration of tangible and omitted property taxes within the  
27 Commonwealth; and

- 1           3. Division of Minerals Taxation and Geographical Information System  
2           Services, which shall be responsible for providing geographical  
3           information system mapping support, ensuring proper filing of severance  
4           tax returns, ensuring consistency of unmined coal assessments, and  
5           gathering and providing data to properly assess minerals to the property  
6           valuation administrators within the Commonwealth;
- 7           (d) Office of Sales and Excise Taxes, headed by an executive director who shall  
8           report directly to the commissioner. The office shall administer all matters  
9           relating to sales and use taxes and miscellaneous excise taxes, including but  
10          not limited to technical tax research, compliance, taxpayer assistance, tax-  
11          specific training, and publications. The office shall consist of the:
- 12          1. Division of Sales and Use Tax, which shall administer the sales and use  
13          tax; and
- 14          2. Division of Miscellaneous Taxes, which shall administer various other  
15          taxes, including but not limited to alcoholic beverage taxes; cigarette  
16          enforcement fees, stamps, meters, and taxes; gasoline tax; bank  
17          franchise tax; inheritance and estate tax; insurance premiums and  
18          insurance surcharge taxes; motor vehicle tire fees and usage taxes; and  
19          special fuels taxes;
- 20          (e) Office of Income Taxation, headed by an executive director who shall report  
21          directly to the commissioner. The office shall administer all matters related to  
22          income and corporation license taxes, including technical tax research,  
23          compliance, taxpayer assistance, tax-specific training, and publications. The  
24          office shall consist of the:
- 25          1. Division of Individual Income Tax, which shall administer the following  
26          taxes or returns: individual income, fiduciary, and employer  
27          withholding; and

- 1           2.    Division of Corporation Tax, which shall administer the corporation  
2                    income tax, corporation license tax, pass-through entity withholding,  
3                    and pass-through entity reporting requirements; and
- 4           (f)   Office of Field Operations, headed by an executive director who shall report  
5                    directly to the commissioner. The office shall manage the regional taxpayer  
6                    service centers and the field audit program.
- 7   (2)   The functions and duties of the department shall include conducting conferences,  
8           administering taxpayer protests, and settling tax controversies on a fair and  
9           equitable basis, taking into consideration the hazards of litigation to the  
10          Commonwealth of Kentucky and the taxpayer. The mission of the department shall  
11          be to afford an opportunity for taxpayers to have an independent informal review of  
12          the determinations of the audit functions of the department, and to attempt to fairly  
13          and equitably resolve tax controversies at the administrative level.
- 14   (3)   The department shall maintain an accounting structure for the one hundred twenty  
15          (120) property valuation administrators' offices across the Commonwealth in order  
16          to facilitate use of the state payroll system and the budgeting process.
- 17   (4)   Except as provided in KRS 131.190(~~3~~)(~~4~~), the department shall fully cooperate  
18          with and make tax information available as prescribed under KRS 131.190(2)(p) to  
19          the Governor's Office for Economic Analysis as necessary for the office to perform  
20          the tax administration function established in KRS 42.410.
- 21   (5)   Executive directors and division directors established under this section shall be  
22          appointed by the secretary with the approval of the Governor.