

KENTUCKY GENERAL ASSEMBLY AMENDMENT FORM  
2018 REGULAR SESSION  
**Unofficial Document**

Amend printed copy of **HB 6/SCS 1**

On page 32, line 24, by deleting "and"; and

On page 32, line 25, by inserting after "credit" the following:

"; and

7. Section 23 of this Act for purposes of the scholarship tax credit"; and

On page 40, after line 12, by inserting the following:

"➔SECTION 22. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ  
AS FOLLOWS:

**(1) As used in this section and Section 23 of this Act:**

**(a) "Annual receipts" means the total amount of contributions received by a qualified scholarship-granting organization for a scholarship program from which scholarships are awarded under this section during the qualified scholarship-granting organization's calendar or fiscal year, as applicable, and any interest earned thereon;**

**(b) "Autism" has the same meaning as in KRS 157.200;**

**(c) "Contribution" means a donation of cash, marketable securities, or a combination thereof;**

**(d) "Deaf-blind" has the same meaning as in KRS 157.200;**

**(e) "Developmental delay" has the same meaning as in KRS 157.200;**

Amendment No. SFA 1

Rep. Sen. Damon Thayer

Committee Amendment \_\_\_\_\_

Signed: \_\_\_\_\_

Floor Amendment \_\_\_\_\_

LRC Drafter: Shanker, Amit

Adopted: \_\_\_\_\_

Date: \_\_\_\_\_

Rejected: \_\_\_\_\_

Doc. ID: XXXX

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- (f) "Eligible student" means a resident, school-age student who:**
- 1. Is a member of a household with an annual household income at the time of initially applying for a scholarship from a qualified scholarship-granting organization under this section of not more than two hundred percent (200%) of the amount of household income necessary to establish eligibility for reduced-price meals based on size of household as determined annually by the United States Department of Agriculture applicable to the Commonwealth, pursuant to 42 U.S.C. secs. 1751 to 1789;**
  - 2. Has previously received a scholarship from a qualified scholarship-granting organization under this section;**
  - 3. Is a member of the household of an eligible student that is currently receiving a scholarship from a qualified scholarship-granting organization under this section; or**
  - 4. Is currently in the Commonwealth's foster care program;**
- (g) "Emotional-behavioral disability" has the same meaning as in KRS 157.200;**
- (h) "Hearing impairment" has the same meaning as in KRS 157.200;**
- (i) "Income" has the same meaning as in the United States Department of Agriculture, Food and Nutrition Service, Child Nutrition Programs, Income Eligibility Guidelines, Federal Register Vol. 81, No. 56, published March 23, 2016, and as updated annually as authorized by 42 U.S.C. sec. 1758(b)(1)(A);**
- (j) "Individualized education program" has the same meaning as in KRS 158.281;**
- (k) "Mental disability" has the same meaning as in KRS 157.200;**
- (l) "Orthopedic impairment" has the same meaning as in KRS 157.200;**
- (m) "Other health impairment" has the same meaning as in KRS 157.200;**
- (n) "Qualified nonpublic school" means a nonpublic kindergarten, elementary, or**

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secondary school located in this state that appears on the annual list of certified nonpublic schools issued by the Kentucky Board of Education or on the annual list of schools seeking certification by the board as a nonpublic school as provided by Section 27 of this Act;

(o) "Qualified scholarship-granting organization" means a nonprofit organization that:

1. Is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code for charitable purposes, including but not limited to receiving contributions to provide financial assistance in the form of scholarships to:

a. Students from low and middle-income families to attend qualified nonpublic schools;

b. Students that are in the Commonwealth's foster care program to attend a qualified nonpublic schools; or

c. Students with special needs to attend qualified nonpublic schools or receive qualified special educational services, or both; and

2. Is certified by the department as eligible to receive contributions which qualify for the tax credit established under subsection (2) of this section;

(p) "Qualified special educational services" means educational services and therapies, including but not limited to occupational therapy, physical therapy, and speech-language therapy:

1. Provided to a student with special needs by a person licensed to practice medicine or occupational therapy, physical therapy, or speech-language therapy in this state; and

2. Not otherwise billed to, paid for, or reimbursed by Medicaid or other state program or agency, federal agency, or insurance company;

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- (q) "Scholarship" means financial assistance awarded to an eligible student participating in a scholarship program. To obtain a scholarship, an eligible student shall not be concurrently enrolled in a scholarship program and a public school in this state;
- (r) "Scholarship program" means a program that:
1. Provides scholarships to more than one (1) eligible student;
  2. Based upon the demonstrated financial needs of the eligible students, provides scholarships to attend qualified nonpublic schools, receive qualified special educational services, or both;
  3. Provides scholarships to eligible students who are currently in the Commonwealth's foster care program regardless of household income or financial need; and
  4. Has written policies and procedures in place:
    - a. Regarding scholarships issued to eligible students who withdraw from a scholarship program prior to the end of the period for which the scholarship was issued; and
    - b. That maintain the confidentiality of information pertaining to student eligibility, including household income and disability information;
- (s) "School age" means the earliest admission age to a qualified nonpublic school's kindergarten program or, if no kindergarten program is provided, the qualified nonpublic school's earliest admission age for beginners, until the student graduates from high school or at the end of the school year in which the student reaches twenty-one (21) years of age, whichever occurs first;
- (t) "Speech or language impairment" has the same meaning as in KRS 157.200;
- (u) "Student with special needs" means a resident school-age student who prior to

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applying for a scholarship under this section:

1. a. Is diagnosed by a licensed medical professional as having a mental disability, a hearing impairment, an orthopedic impairment, another health impairment, an emotional-behavioral disability, a traumatic brain injury, a developmental delay, autism, or who is visually disabled or deaf-blind; or

b. Is diagnosed by a reading specialist as having a speech or language impairment; and

2. If previously enrolled in the Commonwealth's public schools:

a. Has an active individualized education program; or

b. Has a 504 accommodation plan issued under Section 504 of the Rehabilitation Act of 1973;

(v) "Taxpayer" means a person subject to the tax imposed under KRS 136.505, 141.020, 141.040, or 141.0401;

(w) "Traumatic brain injury" has the same meaning as in KRS 157.200; and

(x) "Visually disabled" has the same meaning as in KRS 157.200.

(2) (a) 1. Effective for taxable years beginning on or after January 1, 2018, but before January 1, 2023, a nonrefundable, nontransferable tax credit shall be permitted against the tax imposed by KRS 136.505, 141.020, or 141.040 and 141.0401, with the ordering of credit as provided in Section 24 or Section 26 of this Act as applicable, for contributions made during a taxable year to one (1) or more qualified scholarship-granting organizations.

2. To qualify for this credit:

a. A taxpayer other than a corporation shall elect to claim a federal and Kentucky contribution deduction associated with the contributions made

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to qualified scholarship-granting organizations that does not exceed an amount equal to the total contribution for the taxable year less the amount of credit allowed by this section for the taxable year; and

b. A corporation shall elect to claim a Kentucky contribution deduction associated with the contributions made to qualified scholarship-granting organizations that does not exceed an amount equal to the total contribution for the taxable year less the amount of credit allowed by this section for the taxable year.

(b) If the taxpayer is a pass-through entity, the taxpayer shall apply the credit against the limited liability entity tax imposed by KRS 141.0401, and shall also pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

(c) The aggregate value of the total annual tax credit cap awarded shall be determined as follows:

1. For fiscal year July 1, 2018, through June 30, 2019, the credit awarded shall not exceed ten million dollars (\$10,000,000); and

2. In each subsequent fiscal year:

a. If the aggregate value of all credits awarded during the immediately preceding fiscal year equals at least ninety percent (90%) of the annual credit cap available for that year, the annual credit cap for the current fiscal year shall be increased by twenty-five percent (25%) over the credit cap amount established for the immediately preceding fiscal year;  
or

b. If the aggregate value of all credits awarded during the immediately preceding fiscal year does not equal at least ninety percent (90%) of the

annual credit cap available for that fiscal year, the annual credit cap shall remain at the same level as the annual credit cap for the immediately preceding fiscal year.

(d) The credit amount awarded per taxpayer per taxable year shall be no more than the lesser of:

1. Ninety-five percent (95%) of the total contributions made to qualified scholarship-granting organizations, except as provided in paragraph (e) of this subsection; or
2. One million dollars (\$1,000,000).

(e) 1. The taxpayer may elect to pledge a contribution for multiple taxable years, not to exceed a total of four (4) taxable years or a taxable year beginning on or after January 1, 2023.

2. If the multi-year pledge is made by the taxpayer and the amount of the contributions for each of the multiple taxable years are equal to or more than the amount of contributions made to the qualified scholarship-granting organizations in the taxable year within which the pledge is made, the amount of allowable credit shall be increased by two (2) percentage points to ninety-seven (97%) in the taxable year within which the pledge is made and for each pledged year.

3. If the taxpayer does not remit the pledged amount of contributions during any taxable year for which a multi-year pledge is made, the taxpayer shall repay the portion of the credit resulting from the increase allowed by this paragraph.

(f) Any tax credit awarded under this section that is not used by the taxpayer in the current taxable year may be carried forward for up to five (5) succeeding taxable

years until the tax credit has been utilized.

(3) Tax credits under this section shall be awarded on a first-come, first-served basis each fiscal year within the limitations set forth in this section. The date and time stamp from each application for preapproval shall establish the order in which the application was received.

(4) (a) Prior to making a contribution to a qualified scholarship-granting organization the taxpayer or a qualified scholarship-granting organization acting on behalf of the taxpayer shall apply to the department for preapproval of the tax credit in a manner prescribed by the department. Each application shall be submitted separately and shall provide the total amount of proposed contributions and the year or years in which the contributions will be made, whether the proposed contributions will be in the form of cash or marketable securities, and the name of the qualified scholarship-granting organizations to which the contributions will be made.

(b) Subject to the annual tax credit cap, the department shall preliminarily approve the amount of tax credit within ten (10) business days of receipt of the application and shall notify the taxpayer and the qualified scholarship-granting organizations. The notification shall include the amount of the tax credit preliminarily approved, the name of the qualified scholarship-granting organization to which contributions may be made, and any other information the department deems necessary.

(c) If a taxpayer applies or the qualified scholarship-granting organization applies on behalf of the taxpayer for preapproval when no amount of tax credit remains for allocation, but a portion of the total amount of tax credit available is pending verification, the department shall notify the taxpayer and the qualified scholarship-granting organization that the application is being held in abeyance and will be



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- funded on a first-come, first-served basis or will be denied if all preapproved contributions are timely made.
- (5) (a) The taxpayer shall make the preapproved contribution to the qualified scholarship-granting organization no later than the earlier of:
1. Fifteen (15) business days following the date of the department's preapproval notice, excluding weekends and holidays; or
  2. June 30 of the fiscal year of the preapproval.
- (b) If the preapproved contribution is in the form of marketable securities, the qualified scholarship-granting organization shall monetize the securities within five (5) business days of receipt, excluding weekends and holidays, and notify the department within ten (10) business days of the monetization of the securities. If the monetized value of the marketable securities is less than the amount of the proposed contribution reflected on the application, the taxpayer shall supplement the contribution with additional cash to equal the amount of contribution reflected on the application. The taxpayer shall not receive preapproval for a tax credit in excess of the amount of proposed contribution reflected on the application form.
- (6) (a) The qualified scholarship-granting organization shall certify to the department the name of the taxpayer, amount of the contribution made, and the date on which the contribution was made within ten (10) days of when the contribution has been made.
- (b) Upon receipt of certification that the contribution has been made or the expiration of the ten (10) day period without certification, whichever occurs first, the department shall modify the amount of credit pending certification, the amount of credit allocated to taxpayers, and the remaining credit available for allocation, as applicable.

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- (7) To administer the tax credit and the total annual tax credit cap established in subsection (2)(c) of this section, the department shall:
- (a) Create the tax credit application form, the forms to be used by the department to notify the taxpayer and the qualified scholarship granting organization of preapproval or denial of the credit, and the educational materials to be distributed by the qualified scholarship-granting organizations;
  - (b) Create a Web site listing the amount of the total credit pending verification, the amount of the total credit allocated to date, and the remaining credit available to taxpayers making contributions to qualified scholarship-granting organizations;
  - (c) Notify the taxpayer and the qualified scholarship-granting organization of the amount of credit allocated to the taxpayer upon certification that the contribution has been made by the issuance of a tax credit allocation letter, which the taxpayer shall submit with the taxpayer's return when claiming the credit; and
  - (d) Collect necessary data to provide the report required by Section 23 of this Act.
- (8) (a) The department shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish the procedures and timelines for:
- 1. Nonprofit organizations to receive approval as qualified scholarship-granting organizations on an annual basis. The administrative regulations shall include a requirement that the nonprofit organization submit with its application:
    - a. A copy of the organization's income tax exemption under Section 501(c)(3) of the Internal Revenue Code;
    - b. A description of the scholarship program, including detailed information concerning the application and review process, and eligibility verification procedures utilized by the organization; and

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- c. A voluntary agreement by the organization to provide the information necessary for the department to comply with Section 23 of this Act; and
2. Organizations to receive approval from the department to evaluate the financial aid needs of eligible students.
- (b) The department shall notify a nonprofit organization of its approval or disapproval as a qualified scholarship-granting organization within thirty (30) days after the organization has submitted the required information.
- (9) (a) On or before January 1 of each year, the department shall publish on its Web site:
1. A list of qualified scholarship-granting organizations; and
2. A list of organizations that have been approved to evaluate the financial aid needs of students seeking approval for scholarships based upon annual household income.
- (b) The department shall make the lists available to the Kentucky Department of Education, which shall also publish the lists on its Web site.
- (c) If a qualified scholarship-granting organization fails to meet the requirements of this section, the department shall not include the organization on the list of qualified scholarship-granting organizations the following calendar year.
- (d) Only contributions to qualified scholarship-granting organizations on the list maintained by the department for each calendar year shall be recognized for tax credits under this section.
- (10) All members of the qualified scholarship-granting organization and all employees of the qualified scholarship-granting organization shall submit to a nationwide criminal background investigation by means of a fingerprint check by the Department of Kentucky State Police and the Federal Bureau of Investigation at the expense of the qualified scholarship organization. The results of the state and national criminal

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background check shall be sent to the board of directors of the qualified scholarship-granting organization.

(11) (a) Qualified scholarship-granting organizations shall:

1. Assist the department in educating taxpayers by distributing materials produced by the department regarding factual information about the tax credit;
2. Provide a receipt to the taxpayer for the amount of contribution made;
3. a. No later than the last day of the qualified scholarship-granting organization's immediately succeeding calendar year or fiscal year, as applicable, distribute a minimum of ninety percent (90%) of its annual receipts directly to scholarship programs in this state unless the current year annual receipts exceed an amount equal to the average of the annual receipts received in the immediately preceding three (3) years by more than fifteen percent (15%), in which case the excess amount may be carried forward and expended for scholarships in three (3) equal installments over the immediately succeeding three (3) years.  
b. A qualified scholarship-granting organization may transfer funds to another qualified scholarship-granting organization if additional funds are required to meet scholarship demand by the receiving qualified scholarship-granting organization, in which case no more than a combined aggregate of ten percent (10%) of the annual receipts may be retained by the qualified scholarship-granting organizations for administrative expenses. All funds transferred shall be deposited by the receiving scholarship-granting organization into scholarship accounts and shall be separately disclosed in the annual financial audit required

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by this subsection;

4. Assess and document each student's eligibility on an annual basis;
5. Require that the need for financial aid shall be determined by an independent financial analysis performed by an organization that is:
  - a. Experienced in evaluating a student's need for financial aid; and
  - b. Approved by the department;
6. Award scholarships in the following order:
  - a. First, eligible students who have received a scholarship from a qualified scholarship-granting organization under this section during the immediately preceding school year, siblings, and members of that household shall be awarded scholarships, provided there are sufficient funds to fulfill the demand for scholarship aid for these students. If there are insufficient funds, scholarship awards shall be based upon a lottery selection among these students; and
  - b. i. Second, eligible students who are first-time recipients of scholarships under this section.
  - ii. The number of scholarships awarded to first-time recipients of a scholarship under this section who are students with special needs, students in the Commonwealth's foster care program, or students whose household income does not exceed that necessary to establish eligibility for reduced-price meals based on size of household as determined annually by the United States Department of Agriculture applicable to the Commonwealth, pursuant to 42 U.S.C. secs. 1751 to 1789, shall be no less than ninety percent (90%) of the statewide percentage of public school

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students that individually qualify for free and reduced meals for the immediately preceding school year as reported by the Kentucky Department of Education.

iii. If the criteria outlined in subpart ii. of this subdivision is met, scholarships shall be awarded proportionately to other eligible students who are first-time applicants. If the criteria is not met, and funds are remaining, the qualified scholarship-granting organization shall transfer those funds to another qualified scholarship-granting organization to meet scholarship demand by the receiving qualified scholarship-granting organization.

iv. If there are insufficient funds to fulfill the demand for scholarship aid to students, awards shall be based upon a lottery selection among eligible students, provided that the resulting number of students receiving awards shall satisfy the requirement of subpart ii. of this subdivision;

7. Provide funding for scholarship programs to more than one (1) qualified nonpublic school;

8. Provide the department with an annual monitoring report for each eligible student, which shall include:

a. The amount of scholarship received;

b. The student's grade level;

c. The student's county of residence;

d. The name of the public school the student attended the previous school year, if applicable, and the county in which it is located;

e. The household income of the student, if the scholarship was granted

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based the student's demonstrated financial needs;

f. Notification if the student is a student with special needs;

g. Notification if the student is currently in the Commonwealth's foster care program;

h. Notification if the student has previously received a scholarship under this section; and

i. Notification if the student is a member of a household of a student that has previously received a scholarship under this section; and

9. Submit to the department a copy of an independent financial audit performed annually by a certified public accountant in accordance with generally accepted accounting principles to verify the total annual receipts, the use of annual receipts, the amount of administrative fees, and compliance with this section.

(b) Qualified scholarship-granting organizations shall not:

1. Award a scholarship to a dependent of the organization's board of directors or staff;

2. Accept a contribution from a taxpayer if the taxpayer designates that the contribution shall be used to award scholarships to a particular student or used for athletics or other extracurricular activities;

3. Award scholarships in an amount that exceeds the student's demonstrated financial needs or the actual amount of tuition and required fees charged by the qualified nonpublic school to students who do not receive a scholarship under this program or receive some other form of financial aid; or

4. Award a scholarship for athletics or other extracurricular activities or for any associated costs or fees.

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(12) A parent, student, or provider of qualified special educational services shall not bill Medicaid, other state program or agency, federal agency, or insurance company for the same services that are paid for using scholarship funds under this section.

➔SECTION 23. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) The purpose of Section 22 of this Act is to provide resources to students through educational scholarships that:

(a) Provide more choices in education for students from low- and middle-income families and students in the Commonwealth's foster care program; and

(b) Ensure that more students with special needs in the Commonwealth have access to the classroom or qualified special educational services that work best for their unique needs.

(2) (a) A scholarship provided by a qualified scholarship granting organization under Section 22 of this Act shall be considered assistance to the eligible student and shall not be considered assistance to the qualified nonpublic school or to the provider of qualified special educational services to a student with special needs.

(b) Nothing in this section or in Section 22 of this Act shall authorize any officer or employee of the Commonwealth to regulate or otherwise exercise any oversight beyond that necessary to enforce the requirements of the scholarship program of any:

1. Qualified nonpublic school, including any aspect of the school's admissions, staffing, tuition or fees, specific instructional content, academic standards or assessments, curricula, or program of instruction; or

2. Provider of qualified special educational services.

(3) The department shall provide the following information to the Legislative Research



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**Commission no later than November 1, 2019, and no later than November 1 each year thereafter as long as the credits are permitted:**

**(a) All information contained in each annual monitoring report filed by a qualified scholarship-granting organization as required by Section 22 of this Act and the administrative regulations promulgated thereunder, with each eligible student given a unique identification number;**

**(b) The number and total amount of scholarships awarded by qualified scholarship-granting organizations to eligible students:**

**1. Who meet the household income requirements of subsection (1)(f)1. of Section 22 of this Act, reported within household income range intervals of five thousand dollars (\$5,000);**

**2. Who are currently in the Commonwealth's foster care program;**

**3. Who are students with special needs;**

**4. Who have previously received a scholarship under this section; and**

**5. Who are members of a household in which a student has previously received a scholarship under this section; and**

**(c) Any other information that may be necessary to assist the members of the General Assembly in determining that the purposes of this tax credit are being fulfilled.**

➔Section 24. KRS 141.0205 is amended to read as follows:

If a taxpayer is entitled to more than one (1) of the tax credits **permitted**~~[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,

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- 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 ~~by~~under KRS 141.0405;
  - (k) The research facilities credit permitted ~~by~~under KRS 141.395;
  - (l) The employer High School Equivalency Diploma program incentive credit permitted ~~by~~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;

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- (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 scholarship tax credit permitted by Section 22 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 ***permitted*** ~~allowed~~ by KRS 141.383.
- (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the tax

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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 ~~by~~under KRS 141.0405;
  - (k) The research facilities credit permitted ~~by~~under KRS 141.395;
  - (l) The employer High School Equivalency Diploma program incentive credit permitted ~~by~~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 scholarship tax credit permitted by Section 22 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.
- ➔SECTION 25. A NEW SECTION OF KRS 136.500 TO 136.575 IS CREATED TO READ AS FOLLOWS:
- (1) As used in this section:***
- (a) "Contribution" has the same meaning as in Section 22 of this Act; and***
  - (b) "Qualified scholarship-granting organization" has the same meaning as in Section 22 of this Act.***
- (2) Effective for tax years beginning on or after January 1, 2018, but before January 1, 2023, a financial institution shall be permitted a nonrefundable, nontransferable tax***

credit against the tax imposed by KRS 136.505 for contributions made during a taxable year to one (1) or more qualified scholarship-granting organizations as provided by Section 22 of this Act.

(3) Any tax credit permitted under this section that is not used by the taxpayer in the current taxable year may be carried forward for up to five (5) succeeding taxable years until the credit has been exhausted.

→SECTION 26. A NEW SECTION OF KRS 136.500 TO 136.575 IS CREATED TO READ AS FOLLOWS:

If a taxpayer is entitled to more than one (1) of the tax credits permitted against the tax imposed by KRS 136.505, the priority of the application and the use of the credits shall be determined as follows:

(1) The nonrefundable credits shall be taken in the following order:

(a) The credit for cash contributions in investment funds permitted by KRS 154.20-258; and

(b) The scholarship tax credit permitted by Section 22 of this Act; and

(2) After the application of the nonrefundable credits in subsection (1) of this section, the refundable certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b) shall be taken.

→SECTION 27. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Nonpublic school" means a nonpublic kindergarten, elementary, or secondary school located in this state;

(b) "Qualified scholarship-granting organization" has the same meaning as in Section 22 of this Act; and

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- (c) "Scholarship program" has the same meaning as in Section 22 of this Act.
- (2) A nonpublic school that is not currently certified and desires to become a participant in a scholarship program provided by a qualified scholarship-granting organization shall register with the Kentucky Department of Education and notify the department of its intent to become a certified nonpublic school.
- (3) The Kentucky Department of Education shall:
- (a) Maintain a list of nonpublic schools seeking certification and shall promulgate administrative regulations in accordance with KRS Chapter 13A to:
1. Establish timelines for meeting existing certification criteria and reporting requirements that ensure that the nonpublic schools are progressing through the certification process;
  2. Provide that the nonpublic school shall complete the certification process within five (5) years of beginning operations in the Commonwealth or within five (5) years of the effective date of this Act, whichever occurs last; and
  3. Establish criteria allowing a nonpublic school that is not currently certified to participate in a scholarship program provided by a qualified scholarship-granting organization as provided by Section 22 of this Act; and
- (b) Publish on the Kentucky Board of Education's Web site:
1. An annual list of certified nonpublic schools and nonpublic schools seeking certification by the Kentucky Board of Education; and
  2. The statewide percentage of students that individually qualify for free and reduced meals based upon household income for the immediately preceding school year."