

1 AN ACT relating to apprenticeships.

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) The General Assembly finds and declares that a small business apprenticeship*  
6 *tax credit shall be available to encourage the development of skilled workers*  
7 *through registered apprenticeship training programs in order to counter the*  
8 *current and projected shortage of skilled workers which exists in Kentucky.*

9 *(2) As used in this section:*

10 *(a) "Apprentice" has the same meaning as in KRS 343.010;*

11 *(b) "Apprenticeship agreement" has the same meaning as in KRS 343.010;*

12 *(c) "Apprenticeship program" has the same meaning as in KRS 343.010;*

13 *(d) "Full-time employee" means a person employed by a small business for a*  
14 *minimum of thirty-five (35) hours per week; and*

15 *(e) "Small business" means any business entity organized for profit, including*  
16 *a sole proprietorship, partnership, limited partnership, corporation, limited*  
17 *liability company, joint venture, association, or cooperative, that has two*  
18 *hundred fifty (250) or fewer full-time employees.*

19 *(3) For taxable years beginning on or after January 1, 2018, but before January 1,*  
20 *2022, a small business that employs an apprentice, who works in Kentucky and*  
21 *has an approved apprenticeship agreement pursuant to KRS 343.060, shall be*  
22 *allowed a nonrefundable small business apprenticeship tax credit against the tax*  
23 *imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as*  
24 *provided in Section 2 of this Act.*

25 *(4) (a) The small business apprenticeship tax credit shall be an amount up to one*  
26 *thousand dollars (\$1,000) for each apprentice employed, provided that:*

27 *1. The small business may claim the credit for no more than four (4)*

- 1                   years for each individual apprentice employed;
- 2                   2. The apprenticeship program sponsored by the small business has  
3                   completed an apprenticeship program provisional period of one (1)  
4                   year with the Department of Workplace Standards and has been  
5                   designated as a permanent program;
- 6                   3. The apprenticeship program has a period of duration which is not less  
7                   than four thousand (4,000) hours, which is two (2) years, and not  
8                   more than ten thousand (10,000) hours, which is five (5) years;
- 9                   4. The apprentice has completed the probationary period established in  
10                   the apprenticeship agreement and is employed for at least one  
11                   hundred twenty (120) hours per month; and
- 12                   5. The apprentice is not a preapprentice.
- 13                   (b) 1. The small business apprenticeship tax credit shall be computed  
14                   annually on a calendar year basis.
- 15                   2. If the small business employs an apprentice for less than the full  
16                   calendar year, the small business may claim the credit on a pro rata  
17                   monthly basis beginning on the first day of the first full month that  
18                   the apprentice is employed.
- 19                   3. A small business filing on a fiscal year basis shall claim the credit  
20                   within the fiscal year encompassing the calendar year end.
- 21                   (c) If the small business is a pass-through entity not subject to the tax under  
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                   (d) Any amount of credit that a small business is unable to utilize during a  
27                   taxable year may be carried forward for use in a succeeding taxable year for

1 a period not to exceed four (4) taxable years. Any amount of credit not used  
2 within four (4) taxable years shall be lost. No amount of credit may be  
3 carried back to a preceding taxable year.

4 (5) The department shall:

5 (a) Prescribe a form upon which a small business may claim the tax credit  
6 provided in subsection (3) of this section and instructions for filing the form  
7 with the small business's tax return;

8 (b) Provide the Department of Workplace Standards:

- 9 1. Copies of the tax credit form and instructions to inform a small  
10 business that desires information about the tax credit; and  
11 2. An annual report detailing the amount of tax credit taken for each  
12 calendar year; and

13 (c) Provide the following information to the Legislative Research Commission  
14 no later than November 15, 2019, and on or before each November 15  
15 annually thereafter as long as the credit is claimed on any return filed:

- 16 1. The number of tax returns, by type tax, claiming the credit for each  
17 taxable year;  
18 2. The total amount of credits claimed for each taxable year;  
19 3. The cumulative number of apprentices hired for each taxable year;  
20 4. The cumulative total of credit claimed by county, based on the work  
21 location for the apprentice hired, for each taxable year; and  
22 5. a. In the case of a taxpayer other than a corporation, based on  
23 ranges of adjusted gross income of no larger than five thousand  
24 dollars (\$5,000), the total amount of credits claimed for each  
25 adjusted gross income range for each taxable year; and  
26 b. In the case of corporations, based on ranges of net income of no  
27 larger than fifty thousand dollars (\$50,000), the total amount of

1 credits claimed for each net income range for each taxable year.

2 →Section 2. KRS 141.0205 is amended to read as follows:

3 If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax  
4 imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of  
5 the credits shall be determined as follows:

6 (1) The nonrefundable business incentive credits against the tax imposed by KRS  
7 141.020 shall be taken in the following order:

8 (a) 1. For taxable years beginning after December 31, 2004, and before  
9 January 1, 2007, the corporation income tax credit permitted by KRS  
10 141.420(3)(a);

11 2. For taxable years beginning after December 31, 2006, the limited  
12 liability entity tax credit permitted by KRS 141.0401;

13 (b) The economic development credits computed under KRS 141.347, 141.381,  
14 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-  
15 2088, and 154.27-080;

16 (c) The qualified farming operation credit permitted by KRS 141.412;

17 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);

18 (e) The health insurance credit permitted by KRS 141.062;

19 (f) The tax paid to other states credit permitted by KRS 141.070;

20 (g) The credit for hiring the unemployed permitted by KRS 141.065;

21 (h) The recycling or composting equipment credit permitted by KRS 141.390;

22 (i) The tax credit for cash contributions in investment funds permitted by KRS  
23 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
24 154.20-258;

25 (j) The coal incentive credit permitted ~~by~~ KRS 141.0405;

26 (k) The research facilities credit permitted ~~by~~ KRS 141.395;

27 (l) The employer High School Equivalency Diploma program incentive credit

- 1 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 small business apprenticeship 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 High School Equivalency Diploma program incentive credit  
2 permitted ~~by~~~~under~~ KRS 164.0062;
- 3 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 4 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 5 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 6 (p) The clean coal incentive credit permitted by KRS 141.428;
- 7 (q) The ethanol credit permitted by KRS 141.4242;
- 8 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- 9 (s) The energy efficiency credits permitted by KRS 141.436;
- 10 (t) The ENERGY STAR home or ENERGY STAR manufactured home credit  
11 permitted by KRS 141.437;
- 12 (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 13 (v) The railroad expansion credit permitted by KRS 141.386;
- 14 (w) The Endow Kentucky credit permitted by KRS 141.438;
- 15 (x) The New Markets Development Program credit permitted by KRS 141.434;
- 16 (y) The food donation credit permitted by KRS 141.392;~~and~~
- 17 (z) The distilled spirits credit permitted by KRS 141.389; **and**
- 18 **(aa) The small business apprenticeship credit permitted by Section 1 of this Act.**
- 19 (6) After the application of the nonrefundable credits in subsection (5) of this section,  
20 the refundable credits shall be taken in the following order:
- 21 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 22 (b) The certified rehabilitation credit permitted by KRS 171.3961 and  
23 171.397(1)(b); and
- 24 (c) The film industry tax credit **permitted by**~~allowed in~~ KRS 141.383.

25 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 343 IS CREATED TO  
26 READ AS FOLLOWS:

27 **(1) On or before March 1, 2018, and annually thereafter, the Department of**

- 1        *Workplace Standards shall certify to the Department of Revenue:*
- 2        *(a) The name, address, and unique identifying number of every small business*
- 3                *qualifying for the tax credit permitted by Section 1 of this Act;*
- 4        *(b) That each apprentice employed by that small business:*
- 5                *1. Works in Kentucky;*
- 6                *2. Works at least one hundred twenty (120) hours during each month of*
- 7                        *employment; and*
- 8                *3. Is not a preapprentice;*
- 9        *(c) The date the apprentice is first employed by that small business;*
- 10        *(d) The date the apprentice successfully completes the probationary period with*
- 11                *that small business;*
- 12        *(e) The work location of each apprentice hired; and*
- 13        *(f) That the apprenticeship program meets the requirements of subsection*
- 14                *(4)(a)2. and 3. of Section 1 of this Act.*
- 15        *(2) The Department of Workplace Standards shall promulgate an administrative*
- 16                *regulation to administer the apprenticeship program.*

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(21). 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 thereunder;*

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 small business apprenticeship  
 19 credit.

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

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

27 ~~(4) — Access to and inspection of information received from the Internal Revenue Service~~

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

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

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

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

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

27 ~~[(1)]~~Each employer subject to KRS Chapter 342 shall file annually with the

1 department~~[of Revenue]~~, in accordance with administrative regulations, a report  
2 providing the policy number and the name and address of the employer's workers'  
3 compensation insurance carrier.}]

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

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

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

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

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

- 1 (1) ~~[Notwithstanding the provisions of KRS 131.190 or any other confidentiality law to~~  
 2 ~~the contrary,]~~The department may publish a list or lists of taxpayers that owe  
 3 delinquent taxes or fees administered by the department~~[of Revenue]~~, and that meet  
 4 the requirements of KRS 131.652.
- 5 (2) For purposes of this section, a taxpayer may be included on a list if:
- 6 (a) The taxes or fees owed remain unpaid at least forty-five (45) days after the  
 7 dates they became due and payable; and
- 8 (b) A tax lien or judgment lien has been filed of public record against the taxpayer  
 9 before notice is given under KRS 131.654.
- 10 (3) In the case of listed taxpayers that are business entities, the department~~[of~~  
 11 ~~Revenue]~~ may also list the names of responsible persons assessed pursuant to KRS  
 12 136.565, 138.885, 139.185, 141.340, and 142.357 for listed liabilities, who are not  
 13 protected from publication by subsection (2) of this section, and for whom the  
 14 requirements of KRS 131.652 are satisfied with regard to the personal assessment.
- 15 (4) Before any list is published under this section, the department shall document that  
 16 each of the conditions for publication as provided in this section has been satisfied,  
 17 and that procedures were followed to ensure the accuracy of the list and notice was  
 18 given to the affected taxpayers.

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

- 20 (1) (a) Any person who violates the intentional unauthorized inspection provisions of  
 21 KRS 131.190(1) shall be fined not more than five hundred dollars (\$500) or  
 22 imprisoned for not more than six (6) months, or both.
- 23 (b) Any person who violates the provisions of KRS 131.190(1) by divulging  
 24 confidential taxpayer information shall be fined not more than one thousand  
 25 dollars (\$1,000) or imprisoned for not more than one (1) year, or both.
- 26 (c) Any person who violates the intentional unauthorized inspection provisions of  
 27 KRS 131.190~~(3)~~~~(4)~~ shall be fined not more than one thousand dollars

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

1 after the expiration of the ninety (90) days.

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

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

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

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

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

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

26 3. For taxable years beginning on or after January 1, 2017, and before  
27 December 31, 2017, the credit shall be equal to sixty percent (60%) of



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

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

1           this section;

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

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

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

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

8           (a) Office of the Commissioner, which shall consist of:

9               1. The Division of Protest Resolution, headed by a division director who  
10              shall report directly to the commissioner. The division shall administer  
11              the protest functions for the department from office resolution through  
12              court action; and

13              2. The Division of Taxpayer Ombudsman, headed by a division director  
14              who shall report to the commissioner. The division shall perform those  
15              duties set out in KRS 131.083;

16           (b) Office of Tax Policy and Regulation, headed by an executive director who  
17           shall report directly to the commissioner. The office shall be responsible for:

18               1. Providing oral and written technical advice on Kentucky tax law;

19               2. Drafting proposed tax legislation and regulations;

20               3. Testifying before legislative committees on tax matters;

21               4. Analyzing tax publications;

22               5. Providing expert witness testimony in tax litigation cases;

23               6. Providing consultation and assistance in protested tax cases; and

24               7. Conducting training and education programs;

25           (c) Office of Processing and Enforcement, headed by an executive director who  
26           shall report directly to the commissioner. The office shall be responsible for  
27           processing documents, depositing funds, collecting debt payments, and

1 coordinating, planning, and implementing a data integrity strategy. The office  
2 shall consist of the:

- 3 1. Division of Operations, which shall be responsible for opening all tax  
4 returns, preparing the returns for data capture, coordinating the data  
5 capture process, depositing receipts, maintaining tax data, and assisting  
6 other state agencies with similar operational aspects as negotiated  
7 between the department and the other agency;
- 8 2. Division of Collections, which shall be responsible for initiating all  
9 collection enforcement activity related to due and owing tax  
10 assessments, including protest resolution, and for assisting other state  
11 agencies with similar collection aspects as negotiated between the  
12 department and the other state agency; and
- 13 3. Division of Registration and Data Integrity, which shall be responsible  
14 for registering businesses for tax purposes, ensuring that the data entered  
15 into the department's tax systems is accurate and complete, and assisting  
16 the taxing areas in proper procedures to ensure the accuracy of the data  
17 over time;

18 (d) Office of Property Valuation, headed by an executive director who shall report  
19 directly to the commissioner. 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           (e) 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          (f) 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           (g) 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.