

1 AN ACT relating to sales and use tax.

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

3 ➔Section 1. KRS 139.480 is amended to read as follows:

4 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at
5 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not
6 include the sale, use, storage, or other consumption of:

- 7 (1) Locomotives or rolling stock, including materials for the construction, repair, or
8 modification thereof, or fuel or supplies for the direct operation of locomotives and
9 trains, used or to be used in interstate commerce;
- 10 (2) Coal for the manufacture of electricity;
- 11 (3) All energy or energy-producing fuels used in the course of manufacturing,
12 processing, mining, or refining and any related distribution, transmission, and
13 transportation services for this energy that are billed to the user, to the extent that
14 the cost of the energy or energy-producing fuels used, and related distribution,
15 transmission, and transportation services for this energy that are billed to the user
16 exceed three percent (3%) of the cost of production. Cost of production shall be
17 computed on the basis of plant facilities which shall mean all permanent structures
18 affixed to real property at one (1) location;
- 19 (4) Livestock of a kind the products of which ordinarily constitute food for human
20 consumption, provided the sales are made for breeding or dairy purposes and by or
21 to a person regularly engaged in the business of farming;
- 22 (5) Poultry for use in breeding or egg production;
- 23 (6) Farm work stock for use in farming operations;
- 24 (7) Seeds, the products of which ordinarily constitute food for human consumption or
25 are to be sold in the regular course of business, and commercial fertilizer to be
26 applied on land, the products from which are to be used for food for human
27 consumption or are to be sold in the regular course of business; provided such sales

- 1 are made to farmers who are regularly engaged in the occupation of tilling and
2 cultivating the soil for the production of crops as a business, or who are regularly
3 engaged in the occupation of raising and feeding livestock or poultry or producing
4 milk for sale; and provided further that tangible personal property so sold is to be
5 used only by those persons designated above who are so purchasing;
- 6 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be
7 used in the production of crops as a business, or in the raising and feeding of
8 livestock or poultry, the products of which ordinarily constitute food for human
9 consumption;
- 10 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the
11 products of which ordinarily constitute food for human consumption;
- 12 (10) Machinery for new and expanded industry;
- 13 (11) Farm machinery. As used in this section, the term "farm machinery":
- 14 (a) Means machinery used exclusively and directly in the occupation of:
- 15 1. Tilling the soil for the production of crops as a business;
- 16 2. Raising and feeding livestock or poultry for sale; or
- 17 3. Producing milk for sale;
- 18 (b) Includes machinery, attachments, and replacements therefor, repair parts, and
19 replacement parts which are used or manufactured for use on, or in the
20 operation of farm machinery and which are necessary to the operation of the
21 machinery, and are customarily so used, including but not limited to combine
22 header wagons, combine header trailers, or any other implements specifically
23 designed and used to move or transport a combine head; and
- 24 (c) Does not include:
- 25 1. Automobiles;
- 26 2. Trucks;
- 27 3. Trailers, except combine header trailers; or

- 1 4. Truck-trailer combinations;
- 2 (12) Property which has been certified as a pollution control facility as defined in KRS
3 224.1-300, and all materials, supplies, and repair and replacement parts purchased
4 for use in the operation or maintenance of the facilities used specifically in the steel-
5 making process. The exemption provided in this subsection for materials, supplies,
6 and repair and replacement parts purchased for use in the operation of pollution
7 control facilities shall be effective for sales made through June 30, 1994;
- 8 (13) Tombstones and other memorial grave markers;
- 9 (14) On-farm facilities used exclusively for grain or soybean storing, drying, processing,
10 or handling. The exemption applies to the equipment, machinery, attachments,
11 repair and replacement parts, and any materials incorporated into the construction,
12 renovation, or repair of the facilities;
- 13 (15) On-farm facilities used exclusively for raising poultry or livestock. The exemption
14 shall apply to the equipment, machinery, attachments, repair and replacement parts,
15 and any materials incorporated into the construction, renovation, or repair of the
16 facilities. The exemption shall apply but not be limited to vent board equipment,
17 waterer and feeding systems, brooding systems, ventilation systems, alarm systems,
18 and curtain systems. In addition, the exemption shall apply whether or not the seller
19 is under contract to deliver, assemble, and incorporate into real estate the
20 equipment, machinery, attachments, repair and replacement parts, and any materials
21 incorporated into the construction, renovation, or repair of the facilities;
- 22 (16) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively
23 and directly to:
- 24 (a) Operate farm machinery as defined in subsection (11) of this section;
- 25 (b) Operate on-farm grain or soybean drying facilities as defined in subsection
26 (14) of this section;
- 27 (c) Operate on-farm poultry or livestock facilities defined in subsection (15) of

- 1 this section;
- 2 (d) Operate on-farm ratite facilities defined in subsection (24) of this section;
- 3 (e) Operate on-farm llama or alpaca facilities as defined in subsection (26) of this
- 4 section; or
- 5 (f) Operate on-farm dairy facilities;
- 6 (17) Textbooks, including related workbooks and other course materials, purchased for
- 7 use in a course of study conducted by an institution which qualifies as a nonprofit
- 8 educational institution under KRS 139.495. The term "course materials" means only
- 9 those items specifically required of all students for a particular course but shall not
- 10 include notebooks, paper, pencils, calculators, tape recorders, or similar student
- 11 aids;
- 12 (18) Any property which has been certified as an alcohol production facility as defined in
- 13 KRS 247.910;
- 14 (19) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the
- 15 direct operation of aircraft in interstate commerce and used exclusively for the
- 16 conveyance of property or passengers for hire. Nominal intrastate use shall not
- 17 subject the property to the taxes imposed by this chapter;
- 18 (20) Any property which has been certified as a fluidized bed energy production facility
- 19 as defined in KRS 211.390;
- 20 (21) (a) 1. Any property to be incorporated into the construction, rebuilding,
- 21 modification, or expansion of a blast furnace or any of its components or
- 22 appurtenant equipment or structures as part of an approved supplemental
- 23 project, as defined by KRS 154.26-010; and
- 24 2. Materials, supplies, and repair or replacement parts purchased for use in
- 25 the operation and maintenance of a blast furnace and related carbon
- 26 steel-making operations as part of an approved supplemental project, as
- 27 defined by KRS 154.26-010.

- 1 (b) The exemptions provided in this subsection shall be effective for sales made:
- 2 1. On and after July 1, 2018; and
- 3 2. During the term of a supplemental project agreement entered into
- 4 pursuant to KRS 154.26-090;
- 5 (22) Beginning on October 1, 1986, food or food products purchased for human
- 6 consumption with food coupons issued by the United States Department of
- 7 Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to
- 8 be exempted by the Food Security Act of 1985 in order for the Commonwealth to
- 9 continue participation in the federal food stamp program;
- 10 (23) Machinery or equipment purchased or leased by a business, industry, or
- 11 organization in order to collect, source separate, compress, bale, shred, or otherwise
- 12 handle waste materials if the machinery or equipment is primarily used for recycling
- 13 purposes;
- 14 (24) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and
- 15 production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-
- 16 products, and the following items used in this agricultural pursuit:
- 17 (a) Feed and feed additives;
- 18 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 19 (c) On-farm facilities, including equipment, machinery, attachments, repair and
- 20 replacement parts, and any materials incorporated into the construction,
- 21 renovation, or repair of the facilities. The exemption shall apply to incubation
- 22 systems, egg processing equipment, waterer and feeding systems, brooding
- 23 systems, ventilation systems, alarm systems, and curtain systems. In addition,
- 24 the exemption shall apply whether or not the seller is under contract to deliver,
- 25 assemble, and incorporate into real estate the equipment, machinery,
- 26 attachments, repair and replacement parts, and any materials incorporated into
- 27 the construction, renovation, or repair of the facilities;

- 1 (25) Embryos and semen that are used in the reproduction of livestock, if the products of
2 these embryos and semen ordinarily constitute food for human consumption, and if
3 the sale is made to a person engaged in the business of farming;
- 4 (26) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for
5 the breeding and production of hides, breeding stock, fiber and wool products, meat,
6 and llama and alpaca by-products, and the following items used in this pursuit:
- 7 (a) Feed and feed additives;
- 8 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 9 and
- 10 (c) On-farm facilities, including equipment, machinery, attachments, repair and
11 replacement parts, and any materials incorporated into the construction,
12 renovation, or repair of the facilities. The exemption shall apply to waterer
13 and feeding systems, ventilation systems, and alarm systems. In addition, the
14 exemption shall apply whether or not the seller is under contract to deliver,
15 assemble, and incorporate into real estate the equipment, machinery,
16 attachments, repair and replacement parts, and any materials incorporated into
17 the construction, renovation, or repair of the facilities;
- 18 (27) Baling twine and baling wire for the baling of hay and straw;
- 19 (28) Water sold to a person regularly engaged in the business of farming and used in the:
- 20 (a) Production of crops;
- 21 (b) Production of milk for sale; or
- 22 (c) Raising and feeding of:
- 23 1. Livestock or poultry, the products of which ordinarily constitute food for
24 human consumption; or
- 25 2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;
- 26 (29) Buffalos to be used as beasts of burden or in an agricultural pursuit for the
27 production of hides, breeding stock, meat, and buffalo by-products, and the

1 following items used in this pursuit:

2 (a) Feed and feed additives;

3 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;

4 (c) On-farm facilities, including equipment, machinery, attachments, repair and
5 replacement parts, and any materials incorporated into the construction,
6 renovation, or repair of the facilities. The exemption shall apply to waterer
7 and feeding systems, ventilation systems, and alarm systems. In addition, the
8 exemption shall apply whether or not the seller is under contract to deliver,
9 assemble, and incorporate into real estate the equipment, machinery,
10 attachments, repair and replacement parts, and any materials incorporated into
11 the construction, renovation, or repair of the facilities;

12 (30) Aquatic organisms sold directly to or raised by a person regularly engaged in the
13 business of producing products of aquaculture, as defined in KRS 260.960, for sale,
14 and the following items used in this pursuit:

15 (a) Feed and feed additives;

16 (b) Water;

17 (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
18 and

19 (d) On-farm facilities, including equipment, machinery, attachments, repair and
20 replacement parts, and any materials incorporated into the construction,
21 renovation, or repair of the facilities and, any gasoline, special fuels, liquefied
22 petroleum gas, or natural gas used to operate the facilities. The exemption
23 shall apply, but not be limited to: waterer and feeding systems; ventilation,
24 aeration, and heating systems; processing and storage systems; production
25 systems such as ponds, tanks, and raceways; harvest and transport equipment
26 and systems; and alarm systems. In addition, the exemption shall apply
27 whether or not the seller is under contract to deliver, assemble, and

1 incorporate into real estate the equipment, machinery, attachments, repair and
2 replacement parts, and any materials incorporated into the construction,
3 renovation, or repair of the facilities;

4 (31) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the
5 production of hides, breeding stock, meat, and cervid by-products, and the
6 following items used in this pursuit:

- 7 (a) Feed and feed additives;
- 8 (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and
- 9 (c) On-site facilities, including equipment, machinery, attachments, repair and
10 replacement parts, and any materials incorporated into the construction,
11 renovation, or repair of the facilities. In addition, the exemption shall apply
12 whether or not the seller is under contract to deliver, assemble, and
13 incorporate into real estate the equipment, machinery, attachments, repair and
14 replacement parts, and any materials incorporated into the construction,
15 renovation, or repair of the facilities;

16 (32) (a) Repair or replacement parts for the direct operation or maintenance of a motor
17 vehicle, including any towed unit, used exclusively in interstate commerce for
18 the conveyance of property or passengers for hire, provided the motor vehicle
19 is licensed for use on the highway and its declared gross vehicle weight with
20 any towed unit is forty-four thousand and one (44,001) pounds or greater.
21 Nominal intrastate use shall not subject the property to the taxes imposed by
22 this chapter;

23 (b) Repair or replacement parts for the direct operation and maintenance of a
24 motor vehicle operating under a charter bus certificate issued by the
25 Transportation Cabinet under KRS Chapter 281, or under similar authority
26 granted by the United States Department of Transportation; and

27 (c) For the purposes of this subsection, "repair or replacement parts" means tires,

1 brakes, engines, transmissions, drive trains, chassis, body parts, and their
2 components. "Repair or replacement parts" shall not include fuel, machine
3 oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential
4 to the operation of the motor vehicle itself, except when sold as part of the
5 assembled unit, such as cigarette lighters, radios, lighting fixtures not
6 otherwise required by the manufacturer for operation of the vehicle, or tool or
7 utility boxes;~~and~~

8 (33) Food donated by a retail food establishment or any other entity regulated under KRS
9 217.127 to a nonprofit organization for distribution to the needy; and

10 **(34) (a) Charitable gaming supplies and equipment purchased by a charitable**
11 **organization conducting charitable gaming in this state if the charitable**
12 **organization is:**

13 **1. Licensed as a charitable organization; or**

14 **2. Exempt from the licensure requirements under KRS 238.535 and**
15 **complies with all other provisions of KRS Chapter 238 relating to the**
16 **conduct of charitable gaming.**

17 **(b) The exemption shall apply to purchases made on or after July 1, 2018, but**
18 **before July 1, 2022.**

19 **(c) As used in this subsection:**

20 **1. "Charitable gaming" has the same meaning as in KRS 238.505;**

21 **2. "Charitable gaming supplies and equipment" has the same meaning**
22 **as in KRS 238.505; and**

23 **3. "Charitable organization" has the same meaning as in KRS 238.505.**

24 **(d) On or before December 1, 2018, and on or before each December 1**
25 **thereafter as long as the exemption applies, the department shall report the**
26 **following information to the Legislative Research Commission for each**
27 **fiscal year and cumulatively:**

1 1. The number of charitable organizations claiming the exemption; and

2 2. The amount of exemption claimed.

3 ➔ Section 2. KRS 131.190 is amended to read as follows:

4 (1)~~[(a)]~~ No present or former commissioner or employee of the department ~~[of~~
5 Revenue], present or former member of a county board of assessment appeals,
6 present or former property valuation administrator or employee, present or former
7 secretary or employee of the Finance and Administration Cabinet, former secretary
8 or employee of the Revenue Cabinet, or any other person, shall intentionally and
9 without authorization inspect or divulge any information acquired by him of the
10 affairs of any person, or information regarding the tax schedules, returns, or reports
11 required to be filed with the department or other proper officer, or any information
12 produced by a hearing or investigation, insofar as the information may have to do
13 with the affairs of the person's business.

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

16 (a)~~[1-]~~ Information required in prosecutions for making false reports or returns
17 of property for taxation, or any other infraction of the tax laws;

18 (b)~~[2-]~~ Any matter properly entered upon any assessment record, or in any way
19 made a matter of public record;

20 (c)~~[3-]~~ Furnishing any taxpayer or his properly authorized agent with
21 information respecting his own return;

22 (d)~~[4-]~~ Testimony provided by the commissioner or any employee of the
23 department ~~[of Revenue]~~ in any court, or the introduction as evidence of
24 returns or reports filed with the department, in an action for violation of state
25 or federal tax laws or in any action challenging state or federal tax laws;

26 (e)~~[5-]~~ Providing an owner of unmined coal, oil or gas reserves, and other
27 mineral or energy resources assessed under KRS 132.820~~[(1)]~~, or owners of

1 surface land under which the unmined minerals lie, factual information about
2 the owner's property derived from third-party returns filed for that owner's
3 property, under the provisions of KRS 132.820~~[(2)]~~, that is used to determine
4 the owner's assessment. This information shall be provided to the owner on a
5 confidential basis, and the owner shall be subject to the penalties provided in
6 KRS 131.990~~(2)~~~~[(21)]~~. The third-party filer shall be given prior notice of any
7 disclosure of information to the owner that was provided by the third-party
8 filer;

9 ~~(f)~~~~[6.]~~ Providing to a third-party purchaser pursuant to an order entered in a
10 foreclosure action filed in a court of competent jurisdiction, factual
11 information related to the owner or lessee of coal, oil, gas reserves, or any
12 other mineral resources assessed under KRS 132.820~~[(1)]~~. The department
13 may promulgate an administrative regulation establishing a fee schedule for
14 the provision of the information described in this ~~paragraph~~~~[subparagraph]~~.
15 Any fee imposed shall not exceed the greater of the actual cost of providing
16 the information or ten dollars (\$10);~~[-or]~~

17 ~~(g)~~~~[7.]~~ Providing information to a licensing agency, the Transportation Cabinet,
18 or the Kentucky Supreme Court under KRS 131.1817;

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

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

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

25 **(k) Those portions of mine maps submitted by taxpayers to the department**
26 **pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the**
27 **boundaries of mined-out parcel areas. These electronic maps shall not be**

1 relied upon to determine actual boundaries of mined-out parcel areas.
2 Property boundaries contained in mine maps required under KRS Chapters
3 350 and 352 shall not be construed to constitute land surveying or boundary
4 surveys defined by KRS 322.010 and any administrative regulations;

5 (l) Providing to other state agencies the report, filed with the department by an
6 employer, listing the policy number and the name and address of the
7 employer's workers' compensation insurance carrier under Section 3 of this
8 Act;

9 (m) The name and address of a cigarette stamping agent or distributor and the
10 number of sticks by brand name that have been purchased from a
11 nonparticipating manufacturer and have been stamped with Kentucky
12 stamps by that agent or distributor provided by Section 4 of this Act;

13 (n) A list of taxpayers that owe delinquent taxes or fees administered by the
14 department provided by Section 5 of this Act;

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

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

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

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

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

27 3. KRS 141.437 for purposes of the ENERGY STAR home and the

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ENERGY STAR manufactured home credits;

4. Section 7 of this Act for purposes of the distilled spirits credit; or

*5. Section 1 of this Act for purposes of the sales and use tax exemption
for charitable gaming supplies and equipment.*

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

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

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

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

~~(6) — Notwithstanding any provision of law to the contrary, beginning with mine map submissions for the 1989 tax year, the department may make public or divulge only those portions of mine maps submitted by taxpayers to the department pursuant to~~

1 ~~KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-~~
2 ~~out parcel areas. These electronic maps shall not be relied upon to determine actual~~
3 ~~boundaries of mined out parcel areas. Property boundaries contained in mine maps~~
4 ~~required under KRS Chapters 350 and 352 shall not be construed to constitute land~~
5 ~~surveying or boundary surveys as defined by KRS 322.010 and any administrative~~
6 ~~regulations promulgated thereto.~~

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

11 ➔ Section 3. KRS 131.135 is amended to read as follows:

12 ~~[(1)]~~ Each employer subject to KRS Chapter 342 shall file annually with the
13 department~~[of Revenue]~~, in accordance with administrative regulations, a report
14 providing the policy number and the name and address of the employer's workers'
15 compensation insurance carrier. ~~[~~

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

18 ➔ Section 4. KRS 131.618 is amended to read as follows:

19 (1) ~~[Notwithstanding KRS 131.190,]~~The commissioner is authorized to disclose to the
20 Attorney General the name and address of a stamping agent or distributor and the
21 number of sticks by brand name that have been purchased from a nonparticipating
22 manufacturer and have been stamped with Kentucky stamps by that agent or
23 distributor. The Attorney General may share this information with federal, other
24 state, or local agencies only for the purposes of enforcement of KRS 131.600 to
25 131.630 or corresponding laws of other states. The Attorney General is further
26 authorized to disclose to a nonparticipating manufacturer or its importers this
27 information that has been provided by a stamping agent regarding the purchases

1 from that nonparticipating manufacturer or its importers. This information provided
2 by a stamping agent may be used in any enforcement action against the
3 nonparticipating manufacturer or its importers by the Attorney General.

4 (2) In addition to the information required to be submitted pursuant to KRS 131.608,
5 131.614, and 131.620, the Attorney General or the commissioner may require a
6 stamping agent, distributor, participating manufacturer, nonparticipating
7 manufacturer, or a nonparticipating manufacturer's importers to submit any
8 additional information including but not limited to samples of the packaging or
9 labeling of each brand family as is necessary to enable the Attorney General to
10 determine whether the participating manufacturer or the nonparticipating
11 manufacturer and its importers are in compliance with KRS 131.600 to 131.630.

12 ➔Section 5. KRS 131.650 is amended to read as follows:

13 (1) ~~[Notwithstanding the provisions of KRS 131.190 or any other confidentiality law to~~
14 ~~the contrary,]~~The department may publish a list or lists of taxpayers that owe
15 delinquent taxes or fees administered by the department~~[of Revenue]~~, and that meet
16 the requirements of KRS 131.652.

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

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

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

22 (3) In the case of listed taxpayers that are business entities, the department~~[of~~
23 ~~Revenue]~~ may also list the names of responsible persons assessed pursuant to KRS
24 136.565, 138.885, 139.185, 141.340, and 142.357 for listed liabilities, who are not
25 protected from publication by subsection (2) of this section, and for whom the
26 requirements of KRS 131.652 are satisfied with regard to the personal assessment.

27 (4) Before any list is published under this section, the department shall document that

1 each of the conditions for publication as provided in this section has been satisfied,
2 and that procedures were followed to ensure the accuracy of the list and notice was
3 given to the affected taxpayers.

4 ➔Section 6. KRS 131.990 is amended to read as follows:

- 5 (1) (a) Any person who violates the intentional unauthorized inspection provisions of
6 KRS 131.190(1) shall be fined not more than five hundred dollars (\$500) or
7 imprisoned for not more than six (6) months, or both.
- 8 (b) Any person who violates the provisions of KRS 131.190(1) by divulging
9 confidential taxpayer information shall be fined not more than one thousand
10 dollars (\$1,000) or imprisoned for not more than one (1) year, or both.
- 11 (c) Any person who violates the intentional unauthorized inspection provisions of
12 KRS 131.190(3)~~[(4)]~~ shall be fined not more than one thousand dollars
13 (\$1,000) or imprisoned for not more than one (1) year, or both.
- 14 (d) Any person who violates the provisions of KRS 131.190(3)~~[(4)]~~ by divulging
15 confidential taxpayer information shall be fined not more than five thousand
16 dollars (\$5,000) or imprisoned for not more than five (5) years, or both.
- 17 (e) Any present secretary or employee of the Finance and Administration Cabinet,
18 commissioner or employee of the department, member of a county board of
19 assessment appeals, property valuation administrator or employee, or any
20 other person, who violates the provisions of KRS 131.190(1) or (3)~~[(4)]~~ may,
21 in addition to the penalties imposed under this subsection, be disqualified and
22 removed from office or employment.
- 23 (2) Any person who willfully fails to comply with the rules and regulations
24 promulgated by the department for the administration of delinquent tax collections
25 shall be fined not less than twenty dollars (\$20) nor more than one thousand dollars
26 (\$1,000).
- 27 (3) Any person who fails to do any act required or does any act forbidden by KRS

1 131.210 shall be fined not less than ten dollars (\$10) nor more than five hundred
2 dollars (\$500).

3 (4) Any person who fails to comply with the provisions of KRS 131.155 shall, unless it
4 is shown to the satisfaction of the department that the failure is due to reasonable
5 cause, pay a penalty of one-half of one percent (0.5%) of the amount that should
6 have been remitted under the provisions of KRS 131.155 for each failure to comply.

7 (5) (a) Any person or financial institution that fails to comply with the provisions of
8 KRS 131.672 and 131.674 within ninety (90) days after notification by the
9 department shall, unless the failure is due to reasonable cause as defined in
10 KRS 131.010, be fined not less than one thousand dollars (\$1,000) and no
11 more than five thousand dollars (\$5,000) for each full month of
12 noncompliance. The fine shall begin on the first day of the month beginning
13 after the expiration of the ninety (90) days.

14 (b) Any financial institution that fails or refuses to comply with the provisions of
15 KRS 131.672 and 131.674 within one hundred twenty (120) days after the
16 notification by the department shall, unless the failure is due to reasonable
17 cause as defined in KRS 131.010, forfeit its right to do business within the
18 Commonwealth, unless and until the financial institution is in compliance.
19 Upon notification by the department, the commissioner of the Department of
20 Financial Institutions shall, as applicable, revoke the authority of the financial
21 institution or its agents to do business in the Commonwealth.

22 (6) Any taxpayer or tax return preparer who fails or refuses to comply with the
23 provisions of KRS 131.250 or an administrative regulation promulgated under KRS
24 131.250 shall, unless it is shown to the satisfaction of the department that the failure
25 is due to reasonable cause, pay a return processing fee of ten dollars (\$10) for each
26 return not filed as required.

27 ➔Section 7. KRS 141.389 is amended to read as follows:

- 1 (1) (a) There shall be allowed a nonrefundable and nontransferable credit to each
2 taxpayer paying the distilled spirits ad valorem tax as follows:
- 3 1. For taxable years beginning on or after January 1, 2015, and before
4 December 31, 2015, the credit shall be equal to twenty percent (20%) of
5 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
6 timely basis;
 - 7 2. For taxable years beginning on or after January 1, 2016, and before
8 December 31, 2016, the credit shall be equal to forty percent (40%) of
9 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
10 timely basis;
 - 11 3. For taxable years beginning on or after January 1, 2017, and before
12 December 31, 2017, the credit shall be equal to sixty percent (60%) of
13 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
14 timely basis;
 - 15 4. For taxable years beginning on or after January 1, 2018, and before
16 December 31, 2018, the credit shall be equal to eighty percent (80%) of
17 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
18 timely basis; and
 - 19 5. For taxable years beginning on or after January 1, 2019, the credit shall
20 be equal to one hundred percent (100%) of the tax assessed under KRS
21 132.160 and paid under KRS 132.180 on a timely basis.
- 22 (b) The credit shall be applied both to the income tax imposed under KRS
23 141.020 or 141.040 and to the limited liability entity tax imposed under KRS
24 141.0401, with the ordering of the credits as provided in KRS 141.0205.
- 25 (2) The amount of distilled spirits credit allowed under subsection (1) of this section
26 shall be used only for capital improvements at the premises of the distiller licensed
27 pursuant to KRS Chapter 243. As used in this subsection, "capital improvement"

- 1 means any costs associated with:
- 2 (a) Construction, replacement, or remodeling of warehouses or facilities;
- 3 (b) Purchases of barrels and pallets used for the storage and aging of distilled
4 spirits in maturing warehouses;
- 5 (c) Acquisition, construction, or installation of equipment for the use in the
6 manufacture, bottling, or shipment of distilled spirits;
- 7 (d) Addition or replacement of access roads or parking facilities; and
- 8 (e) Construction, replacement, or remodeling of facilities to market or promote
9 tourism, including but not limited to a visitor's center.
- 10 (3) The distilled spirits credit allowed under subsection (1) of this section:
- 11 (a) May be accumulated for multiple taxable years;
- 12 (b) Shall be claimed on the return of the taxpayer filed for the taxable year during
13 which the credits were used pursuant to subsection (2) of this section; and
- 14 (c) Shall not include:
- 15 1. Any delinquent tax paid to the Commonwealth; or
- 16 2. Any interest, fees, or penalty paid to the Commonwealth.
- 17 (4) (a) Before the distilled spirits credit shall be allowed on any return, the capital
18 improvements required by subsection (2) of this section shall be completed
19 and specifically associated with the credit allowed on the return.
- 20 (b) The amount of distilled spirits credit allowed shall be recaptured if the capital
21 improvement associated with the credit is sold or otherwise disposed of prior
22 to the exhaustion of the useful life of the asset for Kentucky depreciation
23 purposes.
- 24 (c) If the allowed credit is associated with multiple capital improvements, and not
25 all capital improvements are sold or otherwise disposed of, the distilled spirits
26 credit shall be prorated based on the cost of the capital improvement sold over
27 the total cost of all improvements associated with the credit.

- 1 (5) If the taxpayer is a pass-through entity, the taxpayer may apply the credit against the
2 limited liability entity tax imposed by KRS 141.0401, and shall pass the credit
3 through to its members, partners, or shareholders in the same proportion as the
4 distributive share of income or loss is passed through.
- 5 (6) The department may promulgate an administrative regulation pursuant to KRS
6 Chapter 13A to implement the allowable credit under this section, require the filing
7 of forms designed by the department, and require specific information for the
8 evaluation of the credit taken by any taxpayer.
- 9 (7) ~~[Notwithstanding KRS 131.190,]~~ No later than September 1, 2016, and annually
10 thereafter, the department shall report to the Interim Joint Committee on
11 Appropriations and Revenue:
- 12 (a) The name of each taxpayer taking the credit permitted by subsection (1) of
13 this section;
- 14 (b) The amount of credit taken by that taxpayer; and
- 15 (c) The type of capital improvement made for which the credit is claimed.
- 16 ➔Section 8. KRS 131.020 is amended to read as follows:
- 17 (1) The Department of Revenue, headed by a commissioner appointed by the secretary
18 with the approval of the Governor, shall be organized into the following functional
19 units:
- 20 (a) Office of the Commissioner, which shall consist of:
- 21 1. The Division of Protest Resolution, headed by a division director who
22 shall report directly to the commissioner. The division shall administer
23 the protest functions for the department from office resolution through
24 court action; and
- 25 2. The Division of Taxpayer Ombudsman, headed by a division director
26 who shall report to the commissioner. The division shall perform those
27 duties set out in KRS 131.083;

- 1 (b) Office of Tax Policy and Regulation, headed by an executive director who
2 shall report directly to the commissioner. The office shall be responsible for:
- 3 1. Providing oral and written technical advice on Kentucky tax law;
 - 4 2. Drafting proposed tax legislation and regulations;
 - 5 3. Testifying before legislative committees on tax matters;
 - 6 4. Analyzing tax publications;
 - 7 5. Providing expert witness testimony in tax litigation cases;
 - 8 6. Providing consultation and assistance in protested tax cases; and
 - 9 7. Conducting training and education programs;
- 10 (c) Office of Processing and Enforcement, headed by an executive director who
11 shall report directly to the commissioner. The office shall be responsible for
12 processing documents, depositing funds, collecting debt payments, and
13 coordinating, planning, and implementing a data integrity strategy. The office
14 shall consist of the:
- 15 1. Division of Operations, which shall be responsible for opening all tax
16 returns, preparing the returns for data capture, coordinating the data
17 capture process, depositing receipts, maintaining tax data, and assisting
18 other state agencies with similar operational aspects as negotiated
19 between the department and the other agency;
 - 20 2. Division of Collections, which shall be responsible for initiating all
21 collection enforcement activity related to due and owing tax
22 assessments, including protest resolution, and for assisting other state
23 agencies with similar collection aspects as negotiated between the
24 department and the other state agency; and
 - 25 3. Division of Registration and Data Integrity, which shall be responsible
26 for registering businesses for tax purposes, ensuring that the data entered
27 into the department's tax systems is accurate and complete, and assisting

1 the taxing areas in proper procedures to ensure the accuracy of the data
2 over time;

3 (d) Office of Property Valuation, headed by an executive director who shall report
4 directly to the commissioner. The office shall consist of the:

5 1. Division of Local Support, which shall be responsible for providing
6 supervision, assistance, and training to the property valuation
7 administrators and sheriffs within the Commonwealth;

8 2. Division of State Valuation, which shall be responsible for providing
9 assessments of public service companies and motor vehicles, and
10 providing assistance to property valuation administrators and sheriffs
11 with the administration of tangible and omitted property taxes within the
12 Commonwealth; and

13 3. Division of Minerals Taxation and Geographical Information System
14 Services, which shall be responsible for providing geographical
15 information system mapping support, ensuring proper filing of severance
16 tax returns, ensuring consistency of unmined coal assessments, and
17 gathering and providing data to properly assess minerals to the property
18 valuation administrators within the Commonwealth;

19 (e) Office of Sales and Excise Taxes, headed by an executive director who shall
20 report directly to the commissioner. The office shall administer all matters
21 relating to sales and use taxes and miscellaneous excise taxes, including but
22 not limited to technical tax research, compliance, taxpayer assistance, tax-
23 specific training, and publications. The office shall consist of the:

24 1. Division of Sales and Use Tax, which shall administer the sales and use
25 tax; and

26 2. Division of Miscellaneous Taxes, which shall administer various other
27 taxes, including but not limited to alcoholic beverage taxes; cigarette

1 enforcement fees, stamps, meters, and taxes; gasoline tax; bank
2 franchise tax; inheritance and estate tax; insurance premiums and
3 insurance surcharge taxes; motor vehicle tire fees and usage taxes; and
4 special fuels taxes;

5 (f) Office of Income Taxation, headed by an executive director who shall report
6 directly to the commissioner. The office shall administer all matters related to
7 income and corporation license taxes, including technical tax research,
8 compliance, taxpayer assistance, tax-specific training, and publications. The
9 office shall consist of the:

10 1. Division of Individual Income Tax, which shall administer the following
11 taxes or returns: individual income, fiduciary, and employer
12 withholding; and

13 2. Division of Corporation Tax, which shall administer the corporation
14 income tax, corporation license tax, pass-through entity withholding,
15 and pass-through entity reporting requirements; and

16 (g) Office of Field Operations, headed by an executive director who shall report
17 directly to the commissioner. The office shall manage the regional taxpayer
18 service centers and the field audit program.

19 (2) The functions and duties of the department shall include conducting conferences,
20 administering taxpayer protests, and settling tax controversies on a fair and
21 equitable basis, taking into consideration the hazards of litigation to the
22 Commonwealth of Kentucky and the taxpayer. The mission of the department shall
23 be to afford an opportunity for taxpayers to have an independent informal review of
24 the determinations of the audit functions of the department, and to attempt to fairly
25 and equitably resolve tax controversies at the administrative level.

26 (3) The department shall maintain an accounting structure for the one hundred twenty
27 (120) property valuation administrators' offices across the Commonwealth in order

- 1 to facilitate use of the state payroll system and the budgeting process.
- 2 (4) Except as provided in KRS 131.190(3)[~~(4)~~], the department shall fully cooperate
- 3 with and make tax information available as prescribed under KRS 131.190(2)(p) to
- 4 the Governor's Office for Economic Analysis as necessary for the office to perform
- 5 the tax administration function established in KRS 42.410.
- 6 (5) Executive directors and division directors established under this section shall be
- 7 appointed by the secretary with the approval of the Governor.