

1 AN ACT relating to an earned income tax credit.

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 *For taxable years beginning after December 31, 2019, taxpayers who are subject to the*
6 *tax imposed by KRS 141.020 and who receive a federal earned income tax credit as*
7 *permitted by 26 U.S.C. sec. 32 shall be allowed a refundable Kentucky earned income*
8 *tax credit. The Kentucky earned income tax credit shall be taken against the tax due*
9 *under KRS 141.020, in the following amount:*

10 *(1) For resident taxpayers, the credit shall be equal to ten percent (10%) of the*
11 *allowed federal earned income tax credit; and*

12 *(2) For nonresident taxpayers or individuals who become a resident of Kentucky*
13 *during the taxable year, the credit shall be equal to ten percent (10%) of the*
14 *allowed federal earned income tax credit multiplied by the ratio of the taxpayer's*
15 *Kentucky adjusted gross income as determined by KRS 141.010(10) to the*
16 *taxpayer's adjusted gross income as defined in Section 62 of the Internal*
17 *Revenue Code.*

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

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

22 (1) The nonrefundable business incentive credits against the tax imposed by KRS
23 141.020 shall be taken in the following order:

24 (a) The limited liability entity tax credit permitted by KRS 141.0401;

25 (b) The economic development credits computed under KRS 141.347, 141.381,
26 141.384, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-207, and
27 154.12-2088;

- 1 (c) The qualified farming operation credit permitted by KRS 141.412;
- 2 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 3 (e) The health insurance credit permitted by KRS 141.062;
- 4 (f) The tax paid to other states credit permitted by KRS 141.070;
- 5 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 6 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 7 (i) The tax credit for cash contributions in investment funds permitted by KRS
- 8 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
- 9 154.20-258;
- 10 (j) The research facilities credit permitted by KRS 141.395;
- 11 (k) The employer High School Equivalency Diploma program incentive credit
- 12 permitted under KRS 164.0062;
- 13 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 14 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 15 (n) The clean coal incentive credit permitted by KRS 141.428;
- 16 (o) The ethanol credit permitted by KRS 141.4242;
- 17 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 18 (q) The energy efficiency credits permitted by KRS 141.436;
- 19 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 20 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 21 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 22 (u) The distilled spirits credit permitted by KRS 141.389;
- 23 (v) The angel investor credit permitted by KRS 141.396;
- 24 (w) The film industry credit permitted by KRS 141.383 for applications approved
- 25 on or after April 27, 2018; and
- 26 (x) The inventory credit permitted by KRS 141.408.
- 27 (2) After the application of the nonrefundable credits in subsection (1) of this section,

1 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
2 shall be taken in the following order:

- 3 (a) The individual credits permitted by KRS 141.020(3);
- 4 (b) The credit permitted by KRS 141.066;
- 5 (c) The tuition credit permitted by KRS 141.069; and
- 6 (d) The household and dependent care credit permitted by KRS 141.067.

7 (3) After the application of the nonrefundable credits provided for in subsection (2) of
8 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
9 taken in the following order:

- 10 (a) The individual withholding tax credit permitted by KRS 141.350;
- 11 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 12 (c) The certified rehabilitation credit permitted by KRS 171.3961 and
13 171.397(1)(b); ~~and~~
- 14 (d) The film industry tax credit permitted by KRS 141.383 for applications
15 approved prior to April 27, 2018; and
- 16 (e) The earned income tax credit permitted by Section 1 of this Act.

17 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
18 tax imposed by KRS 141.040.

19 (5) The following nonrefundable credits shall be applied against the sum of the tax
20 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
21 of this section, and the tax imposed by KRS 141.0401 in the following order:

- 22 (a) The economic development credits computed under KRS 141.347, 141.381,
23 141.384, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-207, and
24 154.12-2088;
- 25 (b) The qualified farming operation credit permitted by KRS 141.412;
- 26 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 27 (d) The health insurance credit permitted by KRS 141.062;

- 1 (e) The unemployment credit permitted by KRS 141.065;
- 2 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 3 (g) The coal conversion credit permitted by KRS 141.041;
- 4 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
5 ending prior to January 1, 2008;
- 6 (i) The tax credit for cash contributions to investment funds permitted by KRS
7 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
8 154.20-258;
- 9 (j) The research facilities credit permitted by KRS 141.395;
- 10 (k) The employer High School Equivalency Diploma program incentive credit
11 permitted by KRS 164.0062;
- 12 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 13 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 14 (n) The clean coal incentive credit permitted by KRS 141.428;
- 15 (o) The ethanol credit permitted by KRS 141.4242;
- 16 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 17 (q) The energy efficiency credits permitted by KRS 141.436;
- 18 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
19 permitted by KRS 141.437;
- 20 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 21 (t) The railroad expansion credit permitted by KRS 141.386;
- 22 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 23 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 24 (w) The distilled spirits credit permitted by KRS 141.389;
- 25 (x) The film industry credit permitted by KRS 141.383 for applications approved
26 on or after April 27, 2018; and
- 27 (y) The inventory credit permitted by KRS 141.408.

- 1 (6) After the application of the nonrefundable credits in subsection (5) of this section,
2 the refundable credits shall be taken in the following order:
- 3 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
 - 4 (b) The certified rehabilitation credit permitted by KRS 171.3961 and
5 171.397(1)(b); and
 - 6 (c) The film industry tax credit permitted by KRS 141.383 for applications
7 approved prior to April 27, 2018.