

1 AN ACT relating to a tax credit for qualified education expenses.

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

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

5 *(1) As used this section, "qualified education expense" means any amount paid or*
6 *incurred related to a dependent's participation in elementary or secondary*
7 *education in this state and includes:*

8 *(a) Books;*

9 *(b) Supplies;*

10 *(c) Computer equipment;*

11 *(d) Supplementary materials; and*

12 *(e) Any other equipment needed for classroom participation.*

13 *(2) For taxable years beginning on or after January 1, 2025, but before January 1,*
14 *2029, there shall be allowed a refundable tax credit against the tax imposed in*
15 *KRS 141.020 for qualified education expenses with the ordering of the tax credit*
16 *as provided in Section 2 of this Act.*

17 *(3) The amount of credit shall:*

18 *(a) Be equal to the amount of qualified education expenses paid during the*
19 *taxable year; and*

20 *(b) Not exceed one hundred fifty dollars (\$150) per dependent.*

21 *(4) In order for the department to verify this tax credit, the taxpayer may be required*
22 *to submit:*

23 *(a) Receipts to verify the amount of qualified education expense paid or*
24 *incurred during the taxable year;*

25 *(b) Verification that the dependent attends school within this state;*

26 *(c) The taxpayer's federal tax return for verification that the student was*
27 *claimed as a dependent; and*

1 (d) Any other information requested by the department for credit verification.

2 (5) Any taxpayer claiming a deduction for charitable contributions under KRS
 3 141.019 for the same qualified education expenses donated to the classroom shall
 4 not also claim a credit under this section for the same expenses.

5 (6) (a) In order for the General Assembly to evaluate the effectiveness of this tax
 6 credit, the department shall report the following information to the
 7 Legislative Research Commission and the Interim Joint Committee on
 8 Appropriations and Revenue on or before November 1, 2026, and on or
 9 before each November 1 thereafter, as long as the qualified education
 10 expense tax credit is claimed on a tax return:

11 1. The cumulative amount of tax credits claimed for each taxable year;

12 2. The cumulative number of returns that claimed the credit for each
 13 taxable year; and

14 3. Based on ranges of adjusted gross income of no larger than five
 15 thousand dollars (\$5,000), the cumulative amount of tax credit
 16 claimed by individuals for each adjusted gross income range for each
 17 taxable year.

18 (b) The information required to be reported under this section shall not be
 19 considered confidential taxpayer information and shall not be subject to
 20 KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes
 21 prohibiting disclosure or reporting of information.

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

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

26 (1) The nonrefundable business incentive credits against the tax imposed by KRS
 27 141.020 shall be taken in the following order:

- 1 (a) The limited liability entity tax credit permitted by KRS 141.0401;
- 2 (b) The economic development credits computed under KRS 141.347, 141.381,
3 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and
4 154.12-2088;
- 5 (c) The qualified farming operation credit permitted by KRS 141.412;
- 6 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 7 (e) The health insurance credit permitted by KRS 141.062;
- 8 (f) The tax paid to other states credit permitted by KRS 141.070;
- 9 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 10 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 11 (i) The tax credit for cash contributions in investment funds permitted by KRS
12 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
13 154.20-258;
- 14 (j) The research facilities credit permitted by KRS 141.395;
- 15 (k) The employer High School Equivalency Diploma program incentive credit
16 permitted under KRS 151B.402;
- 17 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 18 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 19 (n) The clean coal incentive credit permitted by KRS 141.428;
- 20 (o) The ethanol credit permitted by KRS 141.4242;
- 21 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 22 (q) The energy efficiency credits permitted by KRS 141.436;
- 23 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 24 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 25 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 26 (u) The distilled spirits credit permitted by KRS 141.389;
- 27 (v) The angel investor credit permitted by KRS 141.396;

- 1 (w) The film industry credit permitted by KRS 141.383 for applications approved
2 on or after April 27, 2018, but before January 1, 2022;
- 3 (x) The inventory credit permitted by KRS 141.408; and
- 4 (y) The renewable chemical production credit permitted by KRS 141.4231;
- 5 (2) After the application of the nonrefundable credits in subsection (1) of this section,
6 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
7 shall be taken in the following order:
- 8 (a) The individual credits permitted by KRS 141.020(3);
- 9 (b) The credit permitted by KRS 141.066;
- 10 (c) The tuition credit permitted by KRS 141.069;
- 11 (d) The household and dependent care credit permitted by KRS 141.067;
- 12 (e) The income gap credit permitted by KRS 141.066; and
- 13 (f) The Education Opportunity Account Program tax credit permitted by KRS
14 141.522;
- 15 (3) After the application of the nonrefundable credits provided for in subsection (2) of
16 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
17 taken in the following order:
- 18 (a) The individual withholding tax credit permitted by KRS 141.350;
- 19 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 20 (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
21 171.397(1)(b);
- 22 (d) The film industry tax credit permitted by KRS 141.383 for applications
23 approved prior to April 27, 2018, or on or after January 1, 2022;
- 24 (e) The development area tax credit permitted by KRS 141.398;
- 25 (f) The decontamination tax credit permitted by KRS 141.419; ~~and~~
- 26 (g) The pass-through entity tax credit permitted by KRS 141.209; and
- 27 (h) The qualified education expense tax credit permitted by Section 1 of this

1 Act:

- 2 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
3 tax imposed by KRS 141.040;
- 4 (5) The following nonrefundable credits shall be applied against the sum of the tax
5 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
6 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 7 (a) The economic development credits computed under KRS 141.347, 141.381,
8 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and
9 154.12-2088;
- 10 (b) The qualified farming operation credit permitted by KRS 141.412;
- 11 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 12 (d) The health insurance credit permitted by KRS 141.062;
- 13 (e) The unemployment credit permitted by KRS 141.065;
- 14 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 15 (g) The coal conversion credit permitted by KRS 141.041;
- 16 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
17 ending prior to January 1, 2008;
- 18 (i) The tax credit for cash contributions to investment funds permitted by KRS
19 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
20 154.20-258;
- 21 (j) The research facilities credit permitted by KRS 141.395;
- 22 (k) The employer High School Equivalency Diploma program incentive credit
23 permitted by KRS 151B.402;
- 24 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 25 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 26 (n) The clean coal incentive credit permitted by KRS 141.428;
- 27 (o) The ethanol credit permitted by KRS 141.4242;

- 1 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 2 (q) The energy efficiency credits permitted by KRS 141.436;
- 3 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
- 4 permitted by KRS 141.437;
- 5 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 6 (t) The railroad expansion credit permitted by KRS 141.386;
- 7 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 8 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 9 (w) The distilled spirits credit permitted by KRS 141.389;
- 10 (x) The film industry credit permitted by KRS 141.383 for applications approved
- 11 on or after April 27, 2018, but before January 1, 2022;
- 12 (y) The inventory credit permitted by KRS 141.408;
- 13 (z) The renewable chemical production tax credit permitted by KRS 141.4231;
- 14 and
- 15 (aa) The Education Opportunity Account Program tax credit permitted by KRS
- 16 141.522; and
- 17 (6) After the application of the nonrefundable credits in subsection (5) of this section,
- 18 the refundable credits shall be taken in the following order:
- 19 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 20 (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
- 21 171.397(1)(b);
- 22 (c) The film industry tax credit permitted by KRS 141.383 for applications
- 23 approved prior to April 27, 2018, or on or after January 1, 2022;
- 24 (d) The decontamination tax credit permitted by KRS 141.419; and
- 25 (e) The pass-through entity tax credit permitted by KRS 141.209.
- 26 ➔Section 3. KRS 131.190 is amended to read as follows:
- 27 (1) No present or former commissioner or employee of the department, present or

1 former member of a county board of assessment appeals, present or former property
2 valuation administrator or employee, present or former secretary or employee of the
3 Finance and Administration Cabinet, former secretary or employee of the Revenue
4 Cabinet, or any other person, shall intentionally and without authorization inspect
5 or divulge any information acquired by him or her of the affairs of any person, or
6 information regarding the tax schedules, returns, or reports required to be filed with
7 the department or other proper officer, or any information produced by a hearing or
8 investigation, insofar as the information may have to do with the affairs of the
9 person's business.

- 10 (2) The prohibition established by subsection (1) of this section shall not extend to:
- 11 (a) Information required in prosecutions for making false reports or returns of
12 property for taxation, or any other infraction of the tax laws;
 - 13 (b) Any matter properly entered upon any assessment record, or in any way made
14 a matter of public record;
 - 15 (c) Furnishing any taxpayer or his or her properly authorized agent with
16 information respecting his or her own return;
 - 17 (d) Testimony provided by the commissioner or any employee of the department
18 in any court, or the introduction as evidence of returns or reports filed with the
19 department, in an action for violation of state or federal tax laws or in any
20 action challenging state or federal tax laws;
 - 21 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or
22 energy resources assessed under KRS 132.820, or owners of surface land
23 under which the unmined minerals lie, factual information about the owner's
24 property derived from third-party returns filed for that owner's property, under
25 the provisions of KRS 132.820, that is used to determine the owner's
26 assessment. This information shall be provided to the owner on a confidential
27 basis, and the owner shall be subject to the penalties provided in KRS

- 1 131.990(2). The third-party filer shall be given prior notice of any disclosure
2 of information to the owner that was provided by the third-party filer;
- 3 (f) Providing to a third-party purchaser pursuant to an order entered in a
4 foreclosure action filed in a court of competent jurisdiction, factual
5 information related to the owner or lessee of coal, oil, gas reserves, or any
6 other mineral resources assessed under KRS 132.820. The department may
7 promulgate an administrative regulation establishing a fee schedule for the
8 provision of the information described in this paragraph. Any fee imposed
9 shall not exceed the greater of the actual cost of providing the information or
10 ten dollars (\$10);
- 11 (g) Providing information to a licensing agency, the Transportation Cabinet, or
12 the Kentucky Supreme Court under KRS 131.1817;
- 13 (h) Statistics of gasoline and special fuels gallonage reported to the department
14 under KRS 138.210 to 138.448;
- 15 (i) 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 (j) Providing documents, data, or other information to a third party pursuant to an
19 order issued by a court of competent jurisdiction; or
- 20 (k) Providing information to the Legislative Research Commission under:
- 21 1. KRS 139.519 for purposes of the sales and use tax refund on building
22 materials used for disaster recovery;
- 23 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 24 3. KRS 141.437 for purposes of the ENERGY STAR home and the
25 ENERGY STAR manufactured home credits;
- 26 4. KRS 141.383 for purposes of the film industry incentives;
- 27 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization

- 1 tax credits and the job assessment fees;
- 2 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 3 7. KRS 141.396 for purposes of the angel investor tax credit;
- 4 8. KRS 141.389 for purposes of the distilled spirits credit;
- 5 9. KRS 141.408 for purposes of the inventory credit;
- 6 10. KRS 141.390 for purposes of the recycling and composting credit;
- 7 11. KRS 141.3841 for purposes of the selling farmer tax credit;
- 8 12. KRS 141.4231 for purposes of the renewable chemical production tax
- 9 credit;
- 10 13. KRS 141.524 for purposes of the Education Opportunity Account
- 11 Program tax credit;
- 12 14. KRS 141.398 for purposes of the development area tax credit;
- 13 15. KRS 139.516 for the purposes of the sales and use tax exemption on the
- 14 commercial mining of cryptocurrency;~~and~~
- 15 16. KRS 141.419 for purposes of the decontamination tax credit; and
- 16 **17. Section 1 of this Act for purposes of the qualified education expense**
- 17 **tax credit.**

18 (3) The commissioner shall make available any information for official use only and on

19 a confidential basis to the proper officer, agency, board or commission of this state,

20 any Kentucky county, any Kentucky city, any other state, or the federal

21 government, under reciprocal agreements whereby the department shall receive

22 similar or useful information in return.

23 (4) Access to and inspection of information received from the Internal Revenue Service

24 is for department use only, and is restricted to tax administration purposes.

25 Information received from the Internal Revenue Service shall not be made available

26 to any other agency of state government, or any county, city, or other state, and

27 shall not be inspected intentionally and without authorization by any present

1 secretary or employee of the Finance and Administration Cabinet, commissioner or
2 employee of the department, or any other person.

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

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