

1 AN ACT relating to fiscal matters.

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

3 ➔Section 1. KRS 65.490 is amended to read as follows:

4 As used in KRS 65.490 to 65.499, unless the context otherwise requires:

- 5 (1) "Agency" means an urban renewal and community development agency of a taxing  
6 district located within a county containing a consolidated local government or a city  
7 of the first class, established under KRS Chapter 99; a development authority  
8 located within a county containing a consolidated local government or a city of the  
9 first class established under KRS Chapter 99; a nonprofit corporation located within  
10 a county containing a consolidated local government or a city of the first class; or a  
11 designated department, division, or office of a county containing a consolidated  
12 local government or of a city of the first class;
- 13 (2) "Development area" means an area no~~[ less than one (1) square mile, nor]~~ more  
14 than six (6) square miles, designated in need of public improvements by a local or  
15 state government in a county containing a consolidated local government or a city  
16 of the first class, a project area as defined in KRS 99.615, or a public project as  
17 defined in KRS 58.010 in a county containing a consolidated local government or a  
18 city of the first class. "Development area" includes an existing economic  
19 development asset;
- 20 (3) "Increment" means that amount of money received by any taxing district or the  
21 state that is determined by subtracting the amount of old revenues from the amount  
22 of new revenues in any year for which a taxing district or the state and an agency  
23 have agreed upon under the terms of a contract of release or a grant contract;
- 24 (4) "Local government" means a county containing a consolidated local government or  
25 a city of the first class;
- 26 (5) "New revenues" means the revenues received by any taxing district or the state  
27 from a development area in any year after the establishment of the development

1 area;

2 (6) "Old revenues" means the amount of revenues received by any taxing district or the  
3 state from a development area in the last year prior to the establishment of the  
4 development area;

5 (7) "Project" means any urban renewal, redevelopment, or public project undertaken in  
6 accordance with the provisions of KRS 65.490 to 65.497, any project undertaken in  
7 accordance with KRS 99.610 to 99.680, any project undertaken in accordance with  
8 the provisions of KRS Chapter 58, or any "public project" as that term is defined in  
9 KRS 58.010 undertaken by a nonprofit corporation located within a county  
10 containing a consolidated local government or a city of the first class;

11 (8) "Release" or "contract of release" or "grant contract" means that agreement by  
12 which a taxing district or the state permits the payment to an agency of a portion of  
13 increments or an amount equal to a portion of increments received by it in return for  
14 the benefits accrued to the taxing district or the state by reason of a project  
15 undertaken by an agency in a development area;

16 (9) "Taxing district" means a consolidated local government, a county containing a city  
17 of the first class, a city of the first class that encompasses all or part of a  
18 development area, or the state, but does not mean a school district; and

19 (10) "Pilot program" means a tax increment financing program or a grant program  
20 created by an agency within a consolidated local government or a county containing  
21 a city of the first class which shall exist for a period of twenty (20) years, and may  
22 be extended for a period not to exceed an additional twenty-five (25) years as  
23 provided in KRS 65.4931.

24 ➔Section 2. KRS 65.494 is amended to read as follows:

25 **(1) As used in this section:**

26 **(a) "Existing development area" means a development area established by a**  
27 **county containing a city of the first class or by a city of the first class prior**

1 to March 23, 2007, that is subject to the provisions of a grant contract,  
 2 Interlocal Cooperation Agreement, or Master Agreement executed prior to  
 3 March 23, 2007; and

4 (b) "New development area" means a development area that is created within  
 5 an existing development area.

6 (2) ~~[Effective on March 23, 2007, ]~~The provisions of KRS 65.490 to 65.499 shall apply  
 7 only to:

8 (a) Existing development areas; ~~and~~ ~~[ which were established by a county~~  
 9 ~~containing a city of the first class or a city of the first class prior to March 23,~~  
 10 ~~2007, and that are subject to the provisions of a grant contract, Interlocal~~  
 11 ~~Cooperation Agreement or Master Agreement executed prior to March 23,~~  
 12 ~~2007]~~

13 (b) New development areas, provided that:

14 1. The project for the existing development area is amended to remove  
 15 the new development area from the existing development area;

16 2. All contracts regarding the application of increment derived from the  
 17 new development area require not less than ten percent (10%) of the  
 18 increment be paid to the agency for which the existing development  
 19 area was established;

20 3. Notwithstanding KRS 65.495 to the contrary, the payment to the  
 21 agency under subparagraph 2. of this paragraph shall not be taken  
 22 into account in determining whether thresholds within the contract  
 23 have been met; and

24 4. The amendment of the project for an existing development area is  
 25 approved by:

26 a. i. The county containing a city of the first class; or

27 ii. The city of the first class;

- 1 *in which the existing development area is located;*  
 2 *b. The state;*  
 3 *c. The agency for which the existing development area was*  
 4 *established; and*  
 5 *d. If applicable, the insurer of any bonds issued for the benefit of*  
 6 *the agency for which the existing development area was*  
 7 *established.*

8 ➔Section 3. KRS 131.250 is amended to read as follows:

- 9 (1) For the purpose of facilitating the administration of the taxes it administers, the  
 10 department may require any tax return, report, or statement to be electronically  
 11 filed.  
 12 (2) (a) A person required to electronically file a return, report, or statement may  
 13 apply for a waiver from the requirement by submitting the request on a form  
 14 prescribed by the department.  
 15 (b) The request shall indicate the lack of one (1) or more of the following:  
 16 1. Compatible computer hardware;  
 17 2. Internet access; or  
 18 3. Other technological capabilities determined relevant by the department.

- 19 *(3) Beginning July 1, 2026, a licensee:*  
 20 *(a) Holding a microbrewery license and authorized to sell malt beverages under*  
 21 *KRS 243.157; and*  
 22 *(b) Required to pay the:*  
 23 *1. Wholesale sales tax under Section 24 of this Act; and*  
 24 *2. Excise tax on malt beverages under subsection (3) of Section 20 of this*  
 25 *Act;*  
 26 *shall electronically submit any payment and tax return, report, or statement to the*  
 27 *department.*

1           ➔Section 4. KRS 132.010 is amended to read as follows:

2   As used in this chapter, unless the context otherwise requires:

- 3   (1) "Department" means the Department of Revenue;
- 4   (2) "Taxpayer" means any person made liable by law to file a return or pay a tax;
- 5   (3) "Real property":
- 6       (a) Means all lands within this state and improvements thereon; and
- 7       (b) ~~For property assessed on January 1, 2024, and on January 1, 2025, ]~~Includes
- 8           but is not limited to mains, pipes, pipelines, and conduits that are:
- 9               1. Authorized to be installed in, upon, or under any public or private street
- 10               or place; and
- 11               2. Used or to be used for or in connection with the collection, transmission,
- 12               distribution, conducting, sale, or furnishing of heat, steam, water,
- 13               sewage, natural or manufactured gas, or electricity to or for the public;
- 14   (4) "Personal property" means every species and character of property, tangible and
- 15       intangible, other than real property;
- 16   (5) "Resident" means any person who has taken up a place of abode within this state
- 17       with the intention of continuing to abide in this state; any person who has had his or
- 18       her actual or habitual place of abode in this state for the larger portion of the twelve
- 19       (12) months next preceding the date as of which an assessment is due to be made
- 20       shall be deemed to have intended to become a resident of this state;
- 21   (6) "Compensating tax rate" means that rate which, rounded to the next higher one-
- 22       tenth of one cent (\$0.001) per one hundred dollars (\$100) of assessed value and
- 23       applied to the current year's assessment of the property subject to taxation by a
- 24       taxing district, excluding new property and personal property, produces an amount
- 25       of revenue approximately equal to that produced in the preceding year from real
- 26       property. However, in no event shall the compensating tax rate be a rate which,
- 27       when applied to the total current year assessment of all classes of taxable property,

1 produces an amount of revenue less than was produced in the preceding year from  
2 all classes of taxable property. For purposes of this subsection, "property subject to  
3 taxation" means the total fair cash value of all property subject to full local rates,  
4 less the total valuation exempted from taxation by the homestead exemption  
5 provision of the Constitution and the difference between the fair cash value and  
6 agricultural or horticultural value of agricultural or horticultural land;

7 (7) "Net assessment growth" means the difference between:

8 (a) The total valuation of property subject to taxation by the county, city, school  
9 district, or special district in the preceding year, less the total valuation  
10 exempted from taxation by the homestead exemption provision of the  
11 Constitution in the current year over that exempted in the preceding year; and

12 (b) The total valuation of property subject to taxation by the county, city, school  
13 district, or special district for the current year;

14 (8) "New property" means the net difference in taxable value between real property  
15 additions and deletions to the property tax roll for the current year. "Real property  
16 additions" shall mean:

17 (a) Property annexed or incorporated by a municipal corporation, or any other  
18 taxing jurisdiction; however, this definition shall not apply to property  
19 acquired through the merger or consolidation of school districts, or the  
20 transfer of property from one (1) school district to another;

21 (b) Property, the ownership of which has been transferred from a tax-exempt  
22 entity to a nontax-exempt entity;

23 (c) The value of improvements to existing nonresidential property;

24 (d) The value of new residential improvements to property;

25 (e) The value of improvements to existing residential property when the  
26 improvement increases the assessed value of the property by fifty percent  
27 (50%) or more;

- 1 (f) Property created by the subdivision of unimproved property, provided, that  
2 when the property is reclassified from farm to subdivision by the property  
3 valuation administrator, the value of the property as a farm shall be a deletion  
4 from that category;
- 5 (g) Property exempt from taxation, as an inducement for industrial or business  
6 use, at the expiration of its tax exempt status;
- 7 (h) Property, the tax rate of which will change, according to the provisions of  
8 KRS 82.085, to reflect additional urban services to be provided by the taxing  
9 jurisdiction, provided, however, that the property shall be considered "real  
10 property additions" only in proportion to the additional urban services to be  
11 provided to the property over the urban services previously provided; and
- 12 (i) The value of improvements to real property previously under assessment  
13 moratorium.

14 "Real property deletions" shall be limited to the value of real property removed  
15 from, or reduced over the preceding year on, the property tax roll for the current  
16 year;

17 (9) "Agricultural land" means:

- 18 (a) Any tract of land, including all income-producing improvements, of at least  
19 ten (10) contiguous acres in area used for the production of livestock,  
20 livestock products, poultry, poultry products and/or the growing of tobacco  
21 and/or other crops including timber;
- 22 (b) Any tract of land, including all income-producing improvements, of at least  
23 five (5) contiguous acres in area commercially used for aquaculture; or
- 24 (c) Any tract of land devoted to and meeting the requirements and qualifications  
25 for payments pursuant to agriculture programs under an agreement with the  
26 state or federal government;

27 (10) "Horticultural land" means any tract of land, including all income-producing

- 1 improvements, of at least five (5) contiguous acres in area commercially used for  
2 the cultivation of a garden, orchard, or the raising of fruits or nuts, vegetables,  
3 flowers, or ornamental plants;
- 4 (11) "Agricultural or horticultural value" means the use value of "agricultural or  
5 horticultural land" based upon income-producing capability and comparable sales  
6 of farmland purchased for farm purposes where the price is indicative of farm use  
7 value, excluding sales representing purchases for farm expansion, better  
8 accessibility, and other factors which inflate the purchase price beyond farm use  
9 value, if any, considering the following factors as they affect a taxable unit:
- 10 (a) Relative percentages of tillable land, pasture land, and woodland;  
11 (b) Degree of productivity of the soil;  
12 (c) Risk of flooding;  
13 (d) Improvements to and on the land that relate to the production of income;  
14 (e) Row crop capability including allotted crops other than tobacco;  
15 (f) Accessibility to all-weather roads and markets; and  
16 (g) Factors which affect the general agricultural or horticultural economy, such  
17 as: interest, price of farm products, cost of farm materials and supplies, labor,  
18 or any economic factor which would affect net farm income;
- 19 (12) "Deferred tax" means the difference in the tax based on agricultural or horticultural  
20 value and the tax based on fair cash value;
- 21 (13) "Homestead" means real property maintained as the permanent residence of the  
22 owner with all land and improvements adjoining and contiguous thereto including  
23 but not limited to lawns, drives, flower or vegetable gardens, outbuildings, and all  
24 other land connected thereto;
- 25 (14) "Residential unit" means all or that part of real property occupied as the permanent  
26 residence of the owner;
- 27 (15) "Special benefits" are those which are provided by public works not financed



1 through the general tax levy but through special assessments against the benefited  
2 property;

3 (16) "Manufactured home" means a structure manufactured after June 15, 1976, in  
4 accordance with the National Manufactured Housing Construction and Safety  
5 Standards Act, transportable in one (1) or more sections, which when erected on  
6 site measures eight (8) body feet or more in width and thirty-two (32) body feet or  
7 more in length, and which is built on a permanent chassis and designed to be used  
8 as a dwelling, with or without a permanent foundation, when connected to the  
9 required utilities, and includes the plumbing, heating, air-conditioning, and  
10 electrical systems contained therein. It may be used as a place of residence,  
11 business, profession, or trade by the owner, lessee, or their assignees and may  
12 consist of one (1) or more units that can be attached or joined together to comprise  
13 an integral unit or condominium structure;

14 (17) "Mobile home" means a structure manufactured on or before June 15, 1976, that  
15 was not required to be constructed in accordance with the National Manufactured  
16 Housing Construction and Safety Standards Act, transportable in one (1) or more  
17 sections, which when erected on site measures eight (8) body feet or more in width  
18 and thirty-two (32) body feet or more in length, and which is built on a permanent  
19 chassis and designed to be used as a dwelling, with or without a permanent  
20 foundation, when connected to the required utilities, and includes the plumbing,  
21 heating, air-conditioning, and electrical systems contained therein. It may be used  
22 as a place of residence, business, profession, or trade by the owner, lessee, or their  
23 assigns and may consist of one (1) or more units that can be attached or joined  
24 together to comprise an integral unit or condominium structure;

25 (18) "Modular home" means a structure which is certified by its manufacturer as being  
26 constructed in accordance with all applicable provisions of the Kentucky Building  
27 Code and standards adopted by the local authority which has jurisdiction,

1 transportable in one (1) or more sections, and designed to be used as a dwelling on  
2 a permanent foundation when connected to the required utilities, and includes the  
3 plumbing, heating, air-conditioning, and electrical systems contained therein;

4 (19) "Prefabricated home" means a manufactured home, a mobile home, or a modular  
5 home;

6 (20) "Recreational vehicle" means a vehicular type unit primarily designed as temporary  
7 living quarters for recreational, camping, or travel use, which either has its own  
8 motive power or is mounted on or drawn by another vehicle. The basic entities are:  
9 travel trailer, camping trailer, truck camper, and motor home. As used in this  
10 subsection:

11 (a) "Travel trailer" means a vehicular unit, mounted on wheels, designed to  
12 provide temporary living quarters for recreational, camping, or travel use, and  
13 of a size or weight that does not require special highway movement permits  
14 when drawn by a motorized vehicle, and with a living area of less than two  
15 hundred twenty (220) square feet, excluding built-in equipment (such as  
16 wardrobes, closets, cabinets, kitchen units or fixtures) and bath and toilet  
17 rooms;

18 (b) "Camping trailer" means a vehicular portable unit mounted on wheels and  
19 constructed with collapsible partial side walls which fold for towing by  
20 another vehicle and unfold at the camp site to provide temporary living  
21 quarters for recreational, camping, or travel use;

22 (c) "Truck camper" means a portable unit constructed to provide temporary living  
23 quarters for recreational, travel, or camping use, consisting of a roof, floor,  
24 and sides, designed to be loaded onto and unloaded from the bed of a pick-up  
25 truck; and

26 (d) "Motor home" means a vehicular unit designed to provide temporary living  
27 quarters for recreational, camping, or travel use built on or permanently

1 attached to a self-propelled motor vehicle chassis or on a chassis cab or van  
2 which is an integral part of the completed vehicle;

3 (21) "Hazardous substances" shall have the meaning provided in KRS 224.1-400;

4 (22) "Pollutant or contaminant" shall have the meaning provided in KRS 224.1-400;

5 (23) "Release" shall have the meaning as provided in either or both KRS 224.1-400 and  
6 KRS 224.60-115;

7 (24) "Qualifying voluntary environmental remediation property" means real property  
8 subject to the provisions of KRS 224.1-400 and 224.1-405, or 224.60-135 where the  
9 Energy and Environment Cabinet has made a determination that:

10 (a) All releases of hazardous substances, pollutants, contaminants, petroleum, or  
11 petroleum products at the property occurred prior to the property owner's  
12 acquisition of the property;

13 (b) The property owner has made all appropriate inquiry into previous ownership  
14 and uses of the property in accordance with generally accepted practices prior  
15 to the acquisition of the property;

16 (c) The property owner or a responsible party has provided all legally required  
17 notices with respect to hazardous substances, pollutants, contaminants,  
18 petroleum, or petroleum products found at the property;

19 (d) The property owner is in compliance with all land use restrictions and does  
20 not impede the effectiveness or integrity of any institutional control;

21 (e) The property owner complied with any information request or administrative  
22 subpoena under KRS Chapter 224; and

23 (f) The property owner is not affiliated with any person who is potentially liable  
24 for the release of hazardous substances, pollutants, contaminants, petroleum,  
25 or petroleum products on the property pursuant to KRS 224.1-400, 224.1-405,  
26 or 224.60-135, through:

27 1. Direct or indirect familial relationship;

- 1           2. Any contractual, corporate, or financial relationship, excluding  
2           relationships created by instruments conveying or financing title or by  
3           contracts for sale of goods or services; or
- 4           3. Reorganization of a business entity that was potentially liable;
- 5 (25) "Intangible personal property" means stocks, mutual funds, money market funds,  
6           bonds, loans, notes, mortgages, accounts receivable, land contracts, cash, credits,  
7           patents, trademarks, copyrights, tobacco base, allotments, annuities, deferred  
8           compensation, retirement plans, and any other type of personal property that is not  
9           tangible personal property;
- 10 (26) (a) "County" means any county, consolidated local government, urban-county  
11           government, unified local government, or charter county government;
- 12           (b) "Fiscal court" means the legislative body of any county, consolidated local  
13           government, urban-county government, unified local government, or charter  
14           county government; and
- 15           (c) "County judge/executive" means the chief executive officer of any county,  
16           consolidated local government, urban-county government, unified local  
17           government, or charter county government;
- 18 (27) "Taxing district" means any entity with the authority to levy a local ad valorem tax,  
19           including special purpose governmental entities;
- 20 (28) "Special purpose governmental entity" shall have the same meaning as in KRS  
21           65A.010, and as used in this chapter shall include only those special purpose  
22           governmental entities with the authority to levy ad valorem taxes, and that are not  
23           specifically exempt from the provisions of this chapter by another provision of the  
24           Kentucky Revised Statutes;
- 25 (29) (a) "Broadcast" means the transmission of audio, video, or other signals, through  
26           any electronic, radio, light, or similar medium or method now in existence or  
27           later devised over the airwaves to the public in general.

- 1 (b) "Broadcast" shall not apply to operations performed by multichannel video  
2 programming service providers as defined in KRS 136.602 or any other  
3 operations that transmit audio, video, or other signals, exclusively to persons  
4 for a fee;
- 5 (30) "Livestock" means cattle, sheep, swine, goats, horses, alpacas, llamas, buffaloes,  
6 and any other animals of the bovine, ovine, porcine, caprine, equine, or camelid  
7 species;
- 8 (31) "Heavy equipment rental agreement" means the short-term rental contract under  
9 which qualified heavy equipment is rented without an operator for a period:
- 10 (a) Not to exceed three hundred sixty-five (365) days; or  
11 (b) That is open-ended under the terms of the contract with no specified end date;
- 12 (32) "Heavy equipment rental company" means an entity that is primarily engaged in a  
13 line of business described in Code 532412 or 532310 of the North American  
14 Industry Classification System Manual in effect on January 1, 2019;
- 15 (33) "Qualified heavy equipment" means machinery and equipment, including ancillary  
16 equipment and any attachments used in conjunction with the machinery and  
17 equipment, that is:
- 18 (a) Primarily used and designed for construction, mining, forestry, or industrial  
19 purposes, including but not limited to cranes, earthmoving equipment, well-  
20 drilling machinery and equipment, lifts, material handling equipment, pumps,  
21 generators, and pollution-reducing equipment; and
- 22 (b) Held in a heavy equipment rental company's inventory for:
- 23 1. Rental under a heavy equipment rental agreement; or  
24 2. Sale in the regular course of business;
- 25 (34) "Veteran service organization" means an organization wholly dedicated to  
26 advocating on behalf of military veterans and providing charitable programs in  
27 honor and on behalf of military veterans;

- 1 (35) "Government restriction on use" means a limitation on the use of at least fifty  
2 percent (50%) of the individual dwelling units of a multi-unit rental housing in  
3 order to receive a federal or state government incentive based on low-income renter  
4 restrictions, including the following government incentives:
- 5 (a) A tax credit under Section 42 of the Internal Revenue Code;
  - 6 (b) Financing derived from exempt facility bonds for qualified residential rental  
7 projects under Section 142 of the Internal Revenue Code;
  - 8 (c) A low-interest loan under Section 235 or 236 of the National Housing Act or  
9 Section 515 of the Housing Act of 1949;
  - 10 (d) A rent subsidy;
  - 11 (e) A guaranteed loan;
  - 12 (f) A grant; or
  - 13 (g) A guarantee;
- 14 (36) "Low income" means earning at or below eighty percent (80%) of the area median  
15 income as defined by the United States Department of Housing and Urban  
16 Development for the location of the multi-unit rental housing; and
- 17 (37) "Multi-unit rental housing" means residential property or project consisting of four  
18 (4) or more individual dwelling units and does not include:
- 19 (a) Assisted living facilities; or
  - 20 (b) Duplexes or single-family units unless they are included as part of a larger  
21 property that is subject to government restriction on use.
- 22 ➔Section 5. KRS 136.010 is amended to read as follows:
- 23 As used in this chapter, except for KRS 136.500 to 136.575, unless the context requires  
24 otherwise:
- 25 (1) "Out-of-state business property" means all real and personal property having a  
26 taxable situs outside this state owned by a corporation for use in the active conduct  
27 of a trade or business;

1 (2) "Personal property" means every species and character of property, tangible and  
2 intangible, other than real property;

3 (3) "Real property":

4 (a) Means all lands within this state and improvements thereon; and

5 (b) ~~For property assessed on January 1, 2024, and on January 1, 2025, ]~~Includes  
6 but is not limited to mains, pipes, pipelines, and conduits that are:

7 1. Authorized to be installed in, upon, or under any public or private street  
8 or place; and

9 2. Used or to be used for or in connection with the collection, transmission,  
10 distribution, conducting, sale, or furnishing of heat, steam, water,  
11 sewage, natural or manufactured gas, or electricity to or for the public;  
12 and

13 (4) "Tax exempt United States obligations" means all obligations of the United States  
14 exempt from taxation under 31 U.S.C. sec. 3124(a) or exempt under the United  
15 States Constitution or any federal statute including the obligations of any  
16 instrumentality or agency of the United States which are exempt from state or local  
17 taxation under the United States Constitution or any statute of the United States.

18 ➔Section 6. KRS 132.140 is amended to read as follows:

19 (1) The department shall fix the value of the distilled spirits for the purpose of taxation,  
20 assess the same at its fair cash value, estimated at the price it would bring at a fair  
21 voluntary sale, calculate the exempt portion of the property taxes, and keep a record  
22 of the valuations and assessments. The department shall immediately notify the  
23 owner or proprietor of the bonded warehouse or premises of the amount fixed,  
24 including the portion of the property tax exemption as calculated in subsection (3)  
25 of this section.

26 (2) (a) For purposes of this subsection only, "revenue bond-financed warehouse"~~]:~~  
27 ~~1. — "Premises"]~~ means a bonded warehouse or premises containing distilled

1 spirits:

2 **1. Owned by a tax-exempt governmental unit or tax-exempt statutory**  
 3 **authority under KRS Chapter 103;**

4 ~~2. [a.]~~ The costs of which are financed by one (1) or more series of industrial  
 5 **revenue** bonds under KRS Chapter 103 issued prior to January 1, 2024;  
 6 and

7 ~~3. [b.]~~ Any portion of the costs of which remains financed by those **industrial**  
 8 **revenue** bonds during any portion of the calendar year~~; and~~

9 ~~2. "Taxpayer" means the owner, proprietor, or custodian of one (1) or more~~  
 10 ~~premises].~~

11 (b) Notwithstanding subsection (3) of this section, **for the taxation of distilled**  
 12 **spirits stored or aging in barrels in a revenue bond-financed warehouse:**

13 **1. One hundred percent (100%) of the assessed value of the distilled**  
 14 **spirits shall be subject to the applicable state and local ad valorem**  
 15 **taxes; and**

16 **2.** The state and local tax rate that may be levied on **the** distilled spirits ~~for~~  
 17 ~~a taxpayer of a premises]~~ shall be the state and local tax rate for tax  
 18 assessments made on January 1, 2023.

19 (c) Distilled spirits stored or aging in barrels **in a revenue bond-financed** ~~located~~  
 20 ~~in a bonded] warehouse [or premises]~~ shall be exempt from state and local ad  
 21 valorem taxes for tax assessments made on or after January 1, 2043.

22 (3) ~~For [The maximum state and local tax rate that may be levied on]~~ distilled spirits  
 23 stored or aging in barrels located in a bonded warehouse or premises, **the portion of**  
 24 **the assessed value that is subject to state and local ad valorem taxes** shall be as  
 25 follows:

26 (a) Ninety-six percent (96%) of the **assessed value** ~~[otherwise applicable tax rate]~~  
 27 for tax assessments made on January 1, 2026;



- 1 (b) Ninety-two percent (92%) of the assessed value~~[otherwise applicable tax rate]~~  
2 for tax assessments made on January 1, 2027;
- 3 (c) Eighty-eight percent (88%) of the assessed value~~[otherwise applicable tax~~  
4 ~~rate]~~ for tax assessments made on January 1, 2028;
- 5 (d) Eighty-four percent (84%) of the assessed value~~[otherwise applicable tax~~  
6 ~~rate]~~ for tax assessments made on January 1, 2029;
- 7 (e) Eighty percent (80%) of the assessed value~~[otherwise applicable tax rate]~~ for  
8 tax assessments made on January 1, 2030;
- 9 (f) Seventy-six percent (76%) of the assessed value~~[otherwise applicable tax~~  
10 ~~rate]~~ for tax assessments made on January 1, 2031;
- 11 (g) Seventy-two percent (72%) of the assessed value~~[otherwise applicable tax~~  
12 ~~rate]~~ for tax assessments made on January 1, 2032;
- 13 (h) Sixty-eight percent (68%) of the assessed value~~[otherwise applicable tax rate]~~  
14 for tax assessments made on January 1, 2033;
- 15 (i) Sixty-one percent (61%) of the assessed value~~[otherwise applicable tax rate]~~  
16 for tax assessments made on January 1, 2034;
- 17 (j) Fifty-four percent (54%) of the assessed value~~[otherwise applicable tax rate]~~  
18 for tax assessments made on January 1, 2035;
- 19 (k) Forty-four percent (44%) of the assessed value~~[otherwise applicable tax rate]~~  
20 for tax assessments made on January 1, 2036;
- 21 (l) Thirty-eight percent (38%) of the assessed value~~[otherwise applicable tax~~  
22 ~~rate]~~ for tax assessments made on January 1, 2037;
- 23 (m) Thirty-two percent (32%) of the assessed value~~[otherwise applicable tax rate]~~  
24 for tax assessments made on January 1, 2038;
- 25 (n) Twenty-four percent (24%) of the assessed value~~[otherwise applicable tax~~  
26 ~~rate]~~ for tax assessments made on January 1, 2039;
- 27 (o) Twenty percent (20%) of the assessed value~~[otherwise applicable tax rate]~~ for

- 1 tax assessments made on January 1, 2040;
- 2 (p) Fifteen percent (15%) of the assessed value~~[otherwise applicable tax rate]~~ for
- 3 tax assessments made on January 1, 2041; and
- 4 (q) Eight percent (8%) of the assessed value~~[otherwise applicable tax rate]~~ for tax
- 5 assessments made on January 1, 2042.

6 (4) Distilled spirits stored or aging in barrels located in a bonded warehouse or

7 premises shall be exempt from state and local ad valorem taxes for tax assessments

8 made on or after January 1, 2043.

9 (5) If any owner, proprietor, or custodian of a bonded warehouse or premises fails to

10 make the report required by KRS 132.130, the department shall ascertain the

11 necessary facts required to be reported. For that purpose the department shall have

12 access to the records of the owner, proprietor, or custodian; and the assessment

13 shall be made and taxes collected thereon, with interest and penalties, as though

14 regularly reported.

15 (6) The assessment made under (1) of this section shall be reviewed according to KRS

16 131.110.

17 ➔Section 7. KRS 138.208 is amended to read as follows:

18 (1) As used in this section:

19 (a) *"Bonded warehouse or premises" does not include a revenue bond-*

20 *financed warehouse as defined in Section 6 of this Act for periods prior to*

21 *the 2043 calendar year;*

22 (b) "Local jurisdiction" means:

- 23 1. A school district;
- 24 2. A fire protection district or subdistrict authorized to levy the ad valorem
- 25 tax permitted by KRS 75.015 and 75.040 and that provides fire or other
- 26 emergency services; and
- 27 3. An area served by an emergency services board that levies the ad

1 valorem tax permitted by KRS 75A.050 and provides fire or other  
2 emergency services[;]

3 ~~(b) "Premises" means a bonded warehouse containing distilled spirits~~; and

4 (c) "Taxpayer" means the owner, proprietor, or custodian of one (1) ~~or[er]~~ more  
5 **bonded warehouses or** premises.

6 (2) Beginning with the 2026 calendar year and for each subsequent calendar year  
7 thereafter, in addition to any ad valorem taxes collected under KRS 132.150, there  
8 is imposed a replacement tax on every taxpayer with a **bonded warehouse or**  
9 premises located in a local jurisdiction that collected ad valorem tax during calendar  
10 year 2025.

11 (3) The total replacement tax for each school district shall be:

12 (a) An amount that is not less than zero; and

13 (b) The result from the following calculation:

14 1. The ad valorem tax under KRS 132.150 on distilled spirits stored or  
15 aging in a **bonded warehouse or** premises collected by or on behalf of  
16 the school district during calendar year 2023;

17 2. Minus the amount of the ad valorem tax under KRS 132.150 **on distilled**  
18 **spirits stored or aging in a bonded warehouse or premises** collected by  
19 or on behalf of the school district for the applicable calendar year; and

20 3. Minus the amount by which the Support Education Excellence in  
21 Kentucky program under KRS 157.310 to 157.440 final calculation for  
22 the school year ending during the applicable calendar year exceeds the  
23 Support Education Excellence in Kentucky program final calculation for  
24 the 2022-2023 school year, as determined by the Department of  
25 Education under KRS 157.410(3). For purposes of the Support  
26 Education Excellence in Kentucky final calculation under this  
27 subparagraph, the average daily attendance and equalization ratio for the

1 school year ending during the applicable calendar year shall not be less  
2 than those for the 2022-2023 school year final calculation.

3 (4) The total replacement tax for each fire district or emergency services board shall be:

4 (a) An amount that is not less than zero; and

5 (b) The result from the following calculation:

6 1. The ad valorem tax under KRS 132.150 on distilled spirits stored or  
7 aging in a **bonded warehouse or** premises collected by or on behalf of  
8 the fire district or emergency services board during calendar year 2025;

9 2. Minus the amount of the ad valorem tax under KRS 132.150 **on distilled**  
10 **spirits stored or aging in a bonded warehouse or premises** collected by  
11 or on behalf of the district or board for the applicable calendar year.

12 (5) (a) Each year the department shall assess taxpayers the replacement tax for the  
13 preceding calendar year in proportion to the number of barrels of distilled  
14 spirits stored and aging at their **bonded warehouse or** premises in the local  
15 jurisdiction on January 1 of that preceding calendar year.

16 (b) If a business-wide reduction or extraordinary event occurs, any taxpayer may  
17 apply to the secretary of the Finance and Administration Cabinet for a  
18 reduction in the taxpayer's replacement tax assessment.

19 (c) For purposes of this subsection:

20 1. "Business-wide reduction" means that the volume of distilled spirits  
21 **distilled and barreled**~~produced~~ by all taxpayers at all business  
22 locations in this state during the applicable calendar year is less than the  
23 volume of distilled spirits **distilled and barreled** at all business locations  
24 in this state in calendar year 2025; and

25 2. "Extraordinary event" means a pandemic, epidemic, restrictive  
26 governmental laws or regulations enacted after March 31, 2023, riots,  
27 insurrection, war, acts of a government authority imposed after March

1                   31, 2023, court orders issued after March 31, 2023, a natural disaster, a  
 2                   decrease in sales in excess of ten percent (10%), or other reason of a like  
 3                   nature determined by the secretary not to be the fault of the taxpayer and  
 4                   any other items determined by the secretary to be beyond the taxpayer's  
 5                   reasonable control, which prevents the taxpayer from distilling or  
 6                   barreling~~[producing]~~ distilled spirits.

7       (6) All revenues received by the department from the tax imposed by this section shall  
 8       be distributed to the local jurisdiction for which the tax was levied within sixty (60)  
 9       days from the date received.

10   (7) The department shall administer the replacement tax levied by this section and, in  
 11   conjunction or consultation with any agency representing a local jurisdiction, may  
 12   promulgate administrative regulations to implement this section.

13       ➔Section 8. KRS 157.362 is amended to read as follows:

14   The portion of the assessed value of distilled spirits exempted from ad valorem taxes  
 15   under Section 6 of this Act~~[which equates to the percentage of the otherwise applicable~~  
 16   ~~tax rate that does not apply under KRS 132.140(3)]~~ shall not be included in the  
 17   calculation of the local effort required for Support Education Excellence in Kentucky or  
 18   the tax rate-setting process in KRS Chapter 160.

19       ➔Section 9. KRS 141.020 is amended to read as follows:

20   (1) An annual tax shall be paid for each taxable year by every resident individual of  
 21   this state upon his or her entire net income as defined in this chapter. The tax shall  
 22   be determined by applying the rates in subsection (2) of this section to net income  
 23   and subtracting allowable tax credits provided in subsection (3) of this section.

24   (2) (a) As used in this subsection:

25       1. "Balance in the BRTF at the end of a fiscal year" means the budget  
 26       reserve trust fund account established in KRS 48.705 and includes the  
 27       following amounts and actions resulting from the final close of the fiscal

1 year:

- 2 a. The amount of moneys in the fund at the end of a fiscal year;
- 3 b. All close-out actions related to a budget reduction plan under KRS
- 4 48.130 or as modified in a branch budget bill; and
- 5 c. All close-out actions related to the surplus expenditure plan under
- 6 KRS 48.140 or as modified in a branch budget bill;

7 2. "GF appropriations" means the authorization by the General Assembly

8 to expend GF moneys, excluding:

- 9 a. Continuing appropriations;
- 10 b. Any appropriation to the budget reserve trust fund;
- 11 c. Any lump-sum appropriation to a state-administered retirement
- 12 system, as defined in KRS 7A.210, that is in excess of the
- 13 appropriations specifically budgeted to meet the recurring
- 14 statutorily required contributions or recurring actuarially
- 15 determined contributions for a state-administered retirement
- 16 system under KRS 21.525, 61.565, 61.702, 78.635, 78.5536, or
- 17 161.550, as applicable; and
- 18 d. Any appropriation from the budget reserve trust fund account
- 19 established in KRS 48.705 that is:
- 20 i. Solely supported by moneys from the budget reserve trust
- 21 fund account; and
- 22 ii. Specifically identified in the appropriation language as not
- 23 being a GF appropriation for the purposes of this section;

24 3. "GF moneys" means receipts deposited in the general fund defined in

25 KRS 48.010, excluding tobacco moneys deposited in the fund

26 established in KRS 248.654;

27 4. "IIT equivalent" means the amount of reduction in GF moneys resulting

1 from a one (1) percentage point reduction to the individual income tax  
 2 rate and shall be calculated by dividing the actual individual income tax  
 3 receipts for the fiscal year under consideration by:

4 a. The sum of:

5 i. The individual income tax rate, expressed as a percentage,  
 6 for the first six (6) months of the fiscal year; and

7 ii. The individual income tax rate, expressed as a percentage,  
 8 for the second six (6) months of the fiscal year; and

9 b. Dividing the sum determined in subdivision a. of this  
 10 subparagraph by two (2); **and**

11 5. **For analysis through fiscal year 2024-2025 and for reporting through**  
 12 **September 5, 2025:**

13 **a.** "Reduction conditions" means:

14 ~~i.[a.]~~ The balance in the BRTF at the end of a fiscal year shall be  
 15 equal to or greater than ten percent (10%) of the GF moneys  
 16 for that fiscal year; and

17 ~~ii.[b.]~~ GF moneys at the end of a fiscal year shall be equal to or  
 18 greater than GF appropriations for that fiscal year plus the  
 19 IIT equivalent for that fiscal year; and

20 ~~b.[6.]~~ "Tax rate reduction" means the current tax rate minus five-tenths  
 21 of one percent (0.5%).

22 **(b) 1. For the analysis for fiscal year 2025-2026 and fiscal year 2026-2027,**  
 23 **and for reporting on or before September 5, 2026, and September 5,**  
 24 **2027, "tax rate reduction conditions" means the greatest reduction**  
 25 **achieved under subparagraphs 2. and 3. of this paragraph.**

26 **2. If:**

27 **a. The balance in the BRTF at the end of a fiscal year is equal to or**

1 greater than ten percent (10%) of the GF moneys for that fiscal  
2 year; and

3 b. GF moneys at the end of a fiscal year are equal to or greater  
4 than GF appropriations for that fiscal year plus an amount that  
5 falls within a range of greater than fifty percent (50%) but less  
6 than one hundred percent (100%) of the IIT equivalent for that  
7 fiscal year;

8 then the tax rate reduction may be the current tax rate minus twenty-  
9 five one-hundredths of one percent (0.25%).

10 3. If:

11 a. The balance in the BRTF at the end of a fiscal year is equal to or  
12 greater than ten percent (10%) of the GF moneys for that fiscal  
13 year; and

14 b. GF moneys at the end of a fiscal year are equal to or greater  
15 than GF appropriations for that fiscal year plus the IIT  
16 equivalent for that fiscal year;

17 then the tax rate reduction may be the current tax rate minus five-  
18 tenths of one percent (0.5%).

19 (c) 1. For the analysis for fiscal year 2027-2028 and each fiscal year  
20 thereafter and for reporting on or before September 5, 2028, and each  
21 September 5 thereafter, "tax rate reduction conditions" means the  
22 greatest reduction achieved under subparagraphs 2. to 6. of this  
23 paragraph.

24 2. If:

25 a. The balance in the BRTF at the end of a fiscal year is equal to or  
26 greater than ten percent (10%) of the GF moneys for that fiscal  
27 year; and



1                   **b. GF moneys at the end of a fiscal year are equal to or greater**  
2                   **than GF appropriations for that fiscal year plus an amount that**  
3                   **falls within a range of equal to or greater than twenty percent**  
4                   **(20%) but not greater than thirty-nine percent (39%) of the IIT**  
5                   **equivalent for that fiscal year;**

6                   **then the tax rate reduction may be the current tax rate minus one-**  
7                   **tenth of one percent (0.1%).**

8                   **3. If:**

9                   **a. The balance in the BRTF at the end of a fiscal year is equal to or**  
10                   **greater than ten percent (10%) of the GF moneys for that fiscal**  
11                   **year; and**

12                   **b. GF moneys at the end of a fiscal year are equal to or greater**  
13                   **than GF appropriations for that fiscal year plus an amount that**  
14                   **falls within a range of equal to or greater than forty percent**  
15                   **(40%) but not greater than fifty-nine percent (59%) of the IIT**  
16                   **equivalent for that fiscal year;**

17                   **then the tax rate reduction may be the current tax rate minus two-**  
18                   **tenths of one percent (0.2%).**

19                   **4. If:**

20                   **a. The balance in the BRTF at the end of a fiscal year is equal to or**  
21                   **greater than ten percent (10%) of the GF moneys for that fiscal**  
22                   **year; and**

23                   **b. GF moneys at the end of a fiscal year are equal to or greater**  
24                   **than GF appropriations for that fiscal year plus an amount that**  
25                   **falls within a range of equal to or greater than sixty percent**  
26                   **(60%) but not greater than seventy-nine percent (79%) of the IIT**  
27                   **equivalent for that fiscal year;**

1                   then the tax rate reduction may be the current tax rate minus three-  
 2                   tenths of one percent (0.3%).

3           5. If:

4                   a. The balance in the BRTF at the end of a fiscal year is equal to or  
 5                   greater than ten percent (10%) of the GF moneys for that fiscal  
 6                   year; and

7                   b. GF moneys at the end of a fiscal year are equal to or greater  
 8                   than GF appropriations for that fiscal year plus an amount that  
 9                   falls within a range of equal to or greater than eighty percent  
 10                   (80%) but not greater than ninety-nine percent (99%) of the IIT  
 11                   equivalent for that fiscal year;

12                   then the tax rate reduction may be the current tax rate minus four-  
 13                   tenths of one percent (0.4%).

14           6. If:

15                   a. The balance in the BRTF at the end of a fiscal year is equal to or  
 16                   greater than ten percent (10%) of the GF moneys for that fiscal  
 17                   year; and

18                   b. GF moneys at the end of a fiscal year are equal to or greater  
 19                   than GF appropriations for that fiscal year plus the IIT  
 20                   equivalent for that fiscal year;

21                   then the tax rate reduction may be the current tax rate minus five-  
 22                   tenths of one percent (0.5%).

23           ~~(d)~~~~(b)~~ For taxable years beginning on or after January 1, 2023, but prior to  
 24                   January 1, 2024, the tax shall be four and one-half percent (4.5%) of net  
 25                   income.

26           ~~(e)~~~~(c)~~ For taxable years beginning on or after January 1, 2024, but before  
 27                   January 1, 2026, the tax shall be four percent (4%) of net income.

1 (f) For taxable years beginning on or after January 1, 2026, the tax shall be  
 2 three and one-half percent (3.5%) of net income.

3 ~~(g)(d)~~ 1. For taxable years beginning on or after January 1, ~~2027~~~~[2025]~~, the  
 4 income tax rate may be reduced according to the annual process  
 5 established in:

6 a. Subparagraph~~[subparagraphs]~~ 2. or 3. of this paragraph; and

7 b. Subparagraph 4.~~[to 5.]~~ of this paragraph.

8 2. a. The Office of State Budget Director shall review the reduction  
 9 conditions for the fiscal year ~~2024-2025~~~~[2022-2023]~~ no later than  
 10 September 1, ~~2025~~~~[2023]~~.

11 ~~b.~~~~[3.]~~ After reviewing the reduction conditions under subdivision a. of  
 12 this subparagraph~~[2. of this paragraph]~~, the Office of State Budget  
 13 Director shall, no later than September 5, ~~2025~~~~[2023]~~, report to the  
 14 Interim Joint Committee on Appropriations and Revenue:

15 ~~i.~~~~[a.]~~ Whether the reduction conditions for the fiscal year ~~2024-~~  
 16 ~~2025~~~~[2022-2023]~~ have been met; and

17 ~~ii.~~~~[b.]~~ The amounts associated with each item within the reduction  
 18 conditions used for making that determination.

19 c. i.~~[4. a.]~~ If the reduction conditions have been met for fiscal  
 20 year ~~2024-2025~~~~[2022-2023]~~, the General Assembly may take  
 21 action to reduce the rate in paragraph ~~(f)~~~~[e)]~~ of this  
 22 subsection for the taxable year beginning January 1,  
 23 ~~2027~~~~[2025]~~.

24 ~~ii.~~~~[b.]~~ If the reduction conditions have not been met for fiscal year  
 25 ~~2024-2025~~~~[2022-2023]~~ or the General Assembly does not  
 26 take action to reduce the rate in paragraph ~~(f)~~~~[e)]~~ of this  
 27 subsection, the department shall maintain the rate in

1 paragraph ~~(f)~~~~(e)~~ of this subsection for the taxable year  
2 beginning January 1, ~~2027~~~~[2025]~~.

3 3. a. The Office of State Budget Director shall review the tax rate  
4 reduction conditions for the fiscal year 2025-2026 no later than  
5 September 1, 2026.

6 b. After reviewing the tax rate reduction conditions under  
7 subdivision a. of this subparagraph, the Office of State Budget  
8 Director shall, no later than September 5, 2026, report to the  
9 Interim Joint Committee on Appropriations and Revenue:

10 i. Whether the tax rate reduction conditions for the fiscal  
11 year 2025-2026 have been met; and

12 ii. The amounts associated with each item within the tax rate  
13 reduction conditions used for making that determination.

14 c. i. If the tax rate reduction conditions have been met for fiscal  
15 year 2025-2026, the General Assembly may take action to  
16 reduce the rate in paragraph (f) of this subsection for the  
17 taxable year beginning January 1, 2028.

18 ii. If the tax rate reduction conditions have not been met for  
19 fiscal year 2025-2026 or the General Assembly does not  
20 take action to reduce the rate in paragraph (f) of this  
21 subsection, the department shall maintain the rate in  
22 paragraph (f) of this subsection for the taxable year  
23 beginning January 1, 2028.

24 ~~4.~~~~[5.]~~a. The Office of State Budget Director shall implement an annual  
25 process to review and report future reduction conditions or tax  
26 rate reduction conditions at the same time and in the same manner  
27 for each fiscal year subsequent to the fiscal year ~~2024-2025~~~~[2022-~~

1                   ~~2023~~ and each taxable year subsequent to the taxable year  
2                   beginning January 1, ~~2027~~~~[2025]~~.

3                   b.     The department shall not implement an income tax rate reduction  
4                   without an action by the General Assembly.

5                   c.     The annual process shall continue until the income tax rate is zero.

6                   ~~(h)~~~~(e)~~    For taxable years beginning on or after January 1, 2018, but before  
7                   January 1, 2023, the tax shall be five percent (5%) of net income.

8                   ~~(i)~~~~(f)~~    For taxable years beginning after December 31, 2004, and before  
9                   January 1, 2018, the tax shall be determined by applying the following rates to  
10                  net income:

11                  1.     Two percent (2%) of the amount of net income up to three thousand  
12                  dollars (\$3,000);

13                  2.     Three percent (3%) of the amount of net income over three thousand  
14                  dollars (\$3,000) and up to four thousand dollars (\$4,000);

15                  3.     Four percent (4%) of the amount of net income over four thousand  
16                  dollars (\$4,000) and up to five thousand dollars (\$5,000);

17                  4.     Five percent (5%) of the amount of net income over five thousand  
18                  dollars (\$5,000) and up to eight thousand dollars (\$8,000);

19                  5.     Five and eight-tenths percent (5.8%) of the amount of net income over  
20                  eight thousand dollars (\$8,000) and up to seventy-five thousand dollars  
21                  (\$75,000); and

22                  6.     Six percent (6%) of the amount of net income over seventy-five  
23                  thousand dollars (\$75,000).

24                  (3)   (a)    The following tax credits, when applicable, shall be deducted from the result  
25                  obtained under subsection (2) of this section to arrive at the annual tax:

26                  1.     a.     For taxable years beginning before January 1, 2014, twenty dollars  
27                  (\$20) for an unmarried individual; and

- 1                   b. For taxable years beginning on or after January 1, 2014, and  
2                   before January 1, 2018, ten dollars (\$10) for an unmarried  
3                   individual;
- 4                   2.    a. For taxable years beginning before January 1, 2014, twenty dollars  
5                   (\$20) for a married individual filing a separate return and an  
6                   additional twenty dollars (\$20) for the spouse of taxpayer if a  
7                   separate return is made by the taxpayer and if the spouse, for the  
8                   calendar year in which the taxable year of the taxpayer begins, had  
9                   no Kentucky gross income and is not the dependent of another  
10                  taxpayer; or forty dollars (\$40) for married persons filing a joint  
11                  return, provided neither spouse is the dependent of another  
12                  taxpayer. The determination of marital status for the purpose of  
13                  this section shall be made in the manner prescribed in Section 153  
14                  of the Internal Revenue Code; and
- 15                  b. For taxable years beginning on or after January 1, 2014, and  
16                  before January 1, 2018, ten dollars (\$10) for a married individual  
17                  filing a separate return and an additional ten dollars (\$10) for the  
18                  spouse of a taxpayer if a separate return is made by the taxpayer  
19                  and if the spouse, for the calendar year in which the taxable year of  
20                  the taxpayer begins, had no Kentucky gross income and is not the  
21                  dependent of another taxpayer; or twenty dollars (\$20) for married  
22                  persons filing a joint return, provided neither spouse is the  
23                  dependent of another taxpayer. The determination of marital status  
24                  for the purpose of this section shall be made in the manner  
25                  prescribed in Section 153 of the Internal Revenue Code;
- 26                  3.    a. For taxable years beginning before January 1, 2014, twenty dollars  
27                  (\$20) credit for each dependent. No credit shall be allowed for any

- 1 dependent who has made a joint return with his or her spouse; and
- 2 b. For taxable years beginning on or after January 1, 2014, and
- 3 before January 1, 2018, ten dollars (\$10) credit for each
- 4 dependent. No credit shall be allowed for any dependent who has
- 5 made a joint return with his or her spouse;
- 6 4. An additional forty dollars (\$40) credit if the taxpayer has attained the
- 7 age of sixty-five (65) before the close of the taxable year;
- 8 5. An additional forty dollars (\$40) credit for taxpayer's spouse if a
- 9 separate return is made by the taxpayer and if the taxpayer's spouse has
- 10 attained the age of sixty-five (65) before the close of the taxable year,
- 11 and, for the calendar year in which the taxable year of the taxpayer
- 12 begins, has no Kentucky gross income and is not the dependent of
- 13 another taxpayer;
- 14 6. An additional forty dollars (\$40) credit if the taxpayer is blind at the
- 15 close of the taxable year;
- 16 7. An additional forty dollars (\$40) credit for taxpayer's spouse if a
- 17 separate return is made by the taxpayer and if the taxpayer's spouse is
- 18 blind, and, for the calendar year in which the taxable year of the
- 19 taxpayer begins, has no Kentucky gross income and is not the dependent
- 20 of another taxpayer; and
- 21 8. An additional twenty dollars (\$20) credit shall be allowed if the taxpayer
- 22 is a member of the Kentucky National Guard at the close of the taxable
- 23 year.
- 24 (b) In the case of nonresidents, the tax credits allowable under this subsection
- 25 shall be the portion of the credits that are represented by the ratio of the
- 26 taxpayer's Kentucky adjusted gross income as determined by KRS 141.019 to
- 27 the taxpayer's adjusted gross income as defined in Section 62 of the Internal

1 Revenue Code. However, in the case of a married nonresident taxpayer with  
2 income from Kentucky sources, whose spouse has no income from Kentucky  
3 sources, the taxpayer shall determine allowable tax credit(s) by either:

- 4 1. The method contained above applied to the taxpayer's tax credit(s),  
5 excluding credits for a spouse and dependents; or
- 6 2. Prorating the taxpayer's tax credit(s) plus the tax credits for the  
7 taxpayer's spouse and dependents by the ratio of the taxpayer's  
8 Kentucky adjusted gross income as determined by KRS 141.019 to the  
9 total joint federal adjusted gross income of the taxpayer and the  
10 taxpayer's spouse.

11 (c) In the case of a part-year resident, the tax credits allowable under this  
12 subsection shall be the portion of the credits represented by the ratio of the  
13 taxpayer's Kentucky adjusted gross income as determined by KRS 141.019 to  
14 the taxpayer's adjusted gross income as defined in Section 62 of the Internal  
15 Revenue Code.

16 (4) An annual tax shall be paid for each taxable year as specified in this section upon  
17 the entire net income except as herein provided, from all tangible property located  
18 in this state, from all intangible property that has acquired a business situs in this  
19 state, and from business, trade, profession, occupation, or other activities carried on  
20 in this state, by natural persons not residents of this state. A nonresident individual  
21 shall be taxable only upon the amount of income received by the individual from  
22 labor performed, business done, or from other activities in this state, from tangible  
23 property located in this state, and from intangible property which has acquired a  
24 business situs in this state; provided, however, that the situs of intangible personal  
25 property shall be at the residence of the real or beneficial owner and not at the  
26 residence of a trustee having custody or possession thereof. For taxable years  
27 beginning on or after January 1, 2021, but before January 1, 2027, the tax imposed



1 by this section shall not apply to a disaster response employee or to a disaster  
2 response business. The remainder of the income received by ~~the~~<sup>such</sup> nonresident  
3 shall be deemed nontaxable by this state.

4 (5) Subject to the provisions of KRS 141.081, any individual may elect to pay the  
5 annual tax imposed by KRS 141.023 in lieu of the tax levied under this section.

6 (6) A part-year resident is subject to taxation, as prescribed in subsection (1) of this  
7 section, during that portion of the taxable year that the individual is a resident and,  
8 as prescribed in subsection (4) of this section, during that portion of the taxable year  
9 when the individual is a nonresident.

10 ➔Section 10. KRS 141.381 is amended to read as follows:

11 (1) As used in this section:

12 (a) "Corporation" means the Bluegrass State Skills Corporation established by  
13 KRS 154.12-205;

14 (b) "Educational institution" means a regionally accredited college, university, or  
15 technical school;

16 (c) "Metropolitan College" means a nonprofit consortium that includes  
17 educational institutions located within the Commonwealth and the qualified  
18 taxpayer as members. The purpose of Metropolitan College shall be to  
19 provide postsecondary educational opportunities to employees of the qualified  
20 taxpayer as part of a combined work and postsecondary education program;

21 (d) "Other educational expenses" means the same kinds of educational expenses  
22 that were permitted under the Metropolitan College Consortium Agreement  
23 approved November 5, 2005; and

24 (e) "Qualified taxpayer" means any taxpayer who, on June 26, 2009, is a party to  
25 the Metropolitan College Consortium Agreement approved November 5,  
26 2005.

27 (2) To be eligible for the tax credit provided by this section, a qualified taxpayer shall

- 1 be a partner in Metropolitan College.
- 2 (3) A qualified taxpayer shall be allowed a nonrefundable credit against the tax  
3 imposed by KRS 141.020 or 141.040, and KRS 141.0401, for each taxable year  
4 beginning on or after July 1, 2010, in the amount of fifty percent (50%) of the  
5 actual costs incurred by the qualified taxpayer for:
- 6 (a) Tuition paid to an educational institution for a student participating in the  
7 Metropolitan College; and
- 8 (b) Other educational expenses paid on behalf of a student participating in the  
9 Metropolitan College;
- 10 on behalf of employees of the qualified corporation, for up to two thousand eight  
11 hundred (2,800) employees each year.
- 12 (4) To claim the credit each year, the qualified taxpayer shall, on an annual basis,  
13 submit to the corporation information listing each employee of the qualified  
14 taxpayer for whom tuition or other educational expenses were paid, the amount paid  
15 on behalf of each employee, and the amount of credit the qualified company is  
16 eligible to claim. The corporation shall review the information provided by the  
17 qualified company, and shall notify the department and the qualified company of  
18 the amount of credit the qualified company is eligible to claim.
- 19 (5) The credit allowed by this section for any taxable year shall not exceed the tax  
20 liability of the taxpayer for the taxable year. Any credit not used may be carried  
21 forward to subsequent years.
- 22 (6) The qualified company shall provide to the corporation and the department any  
23 information and documentation requested for the purpose of monitoring the credit  
24 established by this section.
- 25 (7) The approved company shall maintain records and submit information as required  
26 by the corporation and the department. The corporation may share information  
27 provided by the approved company with the department for the purpose of

1 monitoring the credit established by this section.

2 (8) The corporation may, through the promulgation of administrative regulations in  
3 accordance with KRS Chapter 13A, establish additional standards or requirements  
4 for the administration of this section.

5 (9) The credit established by this section shall expire on April 15, 2037~~[2027]~~, unless  
6 extended by the General Assembly.

7 ➔Section 11. KRS 148.851 is amended to read as follows:

8 As used in 148.851 to 148.860, unless the context clearly indicates otherwise:

9 (1) "Agreement" means the tourism development agreement entered into between the  
10 authority and an approved company;

11 (2) "Approved company" means any eligible company that has received final approval  
12 to receive incentives provided under KRS 148.853;

13 (3) "Approved costs" means the amount of eligible costs approved by the authority  
14 upon completion of the project;

15 (4) "Authority" means the Kentucky Tourism Development Finance Authority as set  
16 forth in KRS 148.850;

17 (5) "Cabinet" means the Tourism, Arts and Heritage Cabinet;

18 (6) "Crafts and products center" means a facility primarily devoted to the display,  
19 promotion, and sale of Kentucky products, and at which a minimum of eighty  
20 percent (80%) of the sales occurring at the facility are of Kentucky arts, crafts, or  
21 agricultural products;

22 (7) "Eligible company" means any corporation, limited liability company, partnership,  
23 limited partnership, sole proprietorship, business trust, or any other entity operating  
24 or intending to operate a tourism development project;

25 (8) "Eligible costs" means:

26 (a) Obligations incurred for labor and amounts paid to vendors, contractors,  
27 subcontractors, builders, suppliers, deliverymen, and materialmen in

- 1 connection with the acquisition, construction, equipping, and installation of a  
2 tourism development project;
- 3 (b) The costs of acquiring real property or rights include the acquisition of real  
4 property by a leasehold interest with a minimum term of ten (10) years, and  
5 any costs incidental thereto;
- 6 (c) The cost of contract bonds and of insurance of all kinds that may be required  
7 or necessary during the course of the acquisition, construction, equipping, and  
8 installation of a tourism development project which is not paid by the vendor,  
9 supplier, deliveryman, contractor, or otherwise provided;
- 10 (d) All costs of architectural and engineering services, including but not limited to  
11 estimates, plans and specifications, preliminary investigations, and  
12 supervision of construction and installation, as well as for the performance of  
13 all the duties required by or consequent to the acquisition, construction,  
14 equipping, and installation of a tourism development project;
- 15 (e) All costs required to be paid under the terms of any contract for the  
16 acquisition, construction, equipping, and installation of a tourism  
17 development project;
- 18 (f) All costs required for the installation of utilities, including but not limited to  
19 water, sewer, sewer treatment, gas, electricity and communications, and  
20 including off-site construction of the facilities paid for by the approved  
21 company; and
- 22 (g) All other costs comparable with those described in this subsection, excluding  
23 costs subject to refund under KRS 154.20-202, 154.20-204, 154.20-206,  
24 154.20-208, and 154.20-210 or Subchapter 31 of KRS Chapter 154;
- 25 (9) "Enhanced incentive county" has the same meaning as in KRS 154.32-010;
- 26 (10) "Entertainment destination center project" means a facility that meets the  
27 requirements of KRS 148.853(2)(b);

- 1 (11) "Final approval" means the action taken by the authority authorizing the eligible  
2 company to receive incentives under KRS 139.536 and 148.851 to 148.860;
- 3 (12) "Full-service lodging facility" means a facility that provides overnight sleeping  
4 accommodations, including private bathrooms and all of the following:
- 5 (a) On-site dining facilities;
  - 6 (b) Room service;
  - 7 (c) Catering; and
  - 8 (d) Meeting space;
- 9 (13) "Incentives" means the Kentucky sales tax refund as prescribed in KRS 139.536;
- 10 (14) "Kentucky sales tax" means the sales tax imposed by KRS 139.200;
- 11 (15) "Lodging facility project" means a full-service lodging facility that:
- 12 (a) 1. Is located on recreational property owned or leased by the  
13 Commonwealth or the federal government;
  - 14 ~~2.[(b)]~~ Involves the restoration or rehabilitation of a structure that:
    - 15 a.[(1)] Is listed individually on the National Register of Historic Places;
    - 16 or
    - 17 b.[(2)] Is located in the National Register Historic District; and
    - 18 is certified by the Kentucky Heritage Council as contributing to the
    - 19 historic significance of the district, and the rehabilitation or restoration
    - 20 of the structure has been approved in advance by the Kentucky Heritage
    - 21 Council;
  - 22 ~~3.[(c)]~~ Is an integral part of a major convention or sports facility;
  - 23 ~~4.[(d)]~~ Is located:
    - 24 a.[(1)] Within a fifty (50) mile radius of a property listed on the National
    - 25 Register of Historic Places with a current function of recreation
    - 26 and culture; and
    - 27 b.[(2)] In any of the one hundred (100) least-populated counties in the

1 Commonwealth, in terms of population density, according to the  
2 most recent census;

3 ~~5.[(e)]~~ Is located on property:

4 ~~a.[(1)]~~ Owned by the Commonwealth, or leased by the Commonwealth  
5 from the federal government;

6 ~~b.[(2)]~~ Acquired for use in the state park system pursuant to KRS  
7 148.028; and

8 ~~c.[(3)]~~ Operated by the Kentucky Department of Parks pursuant to KRS  
9 148.021 or the Kentucky Horse Park Commission pursuant to  
10 KRS 148.258 to 148.320;

11 ~~6.[(f)]~~ Is located on property:

12 ~~a.[(1)]~~ Owned or leased by the federal government and under the control  
13 of the Department of the Interior; or

14 ~~b.[(2)]~~ Owned by the Commonwealth and in the custody of the State Fair  
15 Board as provided in KRS 247.140;

16 ~~7.[(g)]~~ Is part of a tourism attraction project, entertainment destination  
17 center project, or theme restaurant destination attraction project and the  
18 full-service lodging facility represents less than fifty percent (50%) of  
19 the total eligible costs; or

20 ~~8.[(h)]~~ Has not less than five hundred (500) guest rooms; ~~or~~[-:]

21 **(b) 1. Is located:**

22 **a. In any of the one hundred (100) least-populated counties in the**  
23 **Commonwealth, in terms of population density, according to the**  
24 **most recent decennial census;**

25 **b. In a county, the boundaries of which:**

26 **i. Include, in part, the boundaries of a designated national**  
27 **forest; or**

- 1                    ii. Are adjacent to or include a portion of parallel reservoirs  
 2                    of water surrounding a national recreation area;  
 3                    c. Within an enhanced incentive county and will create at least fifty  
 4                    (50) new full-time jobs within that county; and  
 5                    d. Within one-half (1/2) mile of a state resort park;  
 6                    2. Has a capital investment of at least one hundred million dollars  
 7                    (\$100,000,000); and  
 8                    3. Contains accommodations for:  
 9                    a. Lodging, with a minimum of one hundred (100) guest rooms,  
 10                    cabins, or rental units;  
 11                    b. Relaxation, including a spa;  
 12                    c. More than one (1) on-site dining facility; and  
 13                    d. More than one (1) meeting or event space;

14 (16) "Net positive fiscal impact" means the amount by which increased state tax  
 15 revenues will exceed the incentives given;

16 (17) "Preliminary approval" means the action taken by the authority conditionally  
 17 approving an eligible company for the incentives under KRS 139.536 and 148.851  
 18 to 148.860;

19 (18) "Recreational facility" means a structure or outdoor area that:

20 (a) Provides visitors recreational opportunities, including but not limited to  
 21 amusement parks, boating, hiking, horseback riding, hunting, fishing,  
 22 camping, wildlife viewing, live theater, rock climbing, and all-terrain vehicle  
 23 trails; and

24 (b) Serves as a likely destination where individuals who are not residents of the  
 25 Commonwealth would remain overnight in commercial lodging at or near the  
 26 recreational facility;

27 (19) "Theme restaurant destination attraction project" means a restaurant facility that

1 meets the requirements for incentives under KRS 148.853(2)(c);

2 (20) (a) "Tourism attraction project" means:

- 3 1. A cultural or historical site;
- 4 2. A recreational facility;
- 5 3. An entertainment facility;
- 6 4. An area of natural phenomenon or scenic beauty; or
- 7 5. A Kentucky crafts and products center;

8 (b) "Tourism attraction project" does not include facilities that are primarily  
9 devoted to the retail sale of goods, other than a Kentucky crafts and products  
10 center, or a tourism attraction where the sale of goods is a secondary and  
11 subordinate component of the attraction; and

12 (21) "Tourism development project" means:

- 13 (a) A tourism attraction project;
- 14 (b) A theme restaurant destination attraction project;
- 15 (c) An entertainment destination center project; or
- 16 (d) A lodging facility project.

17 ➔Section 12. KRS 148.853 is amended to read as follows:

18 (1) The General Assembly finds and declares that:

- 19 (a) The general welfare and material well-being of the citizens of the  
20 Commonwealth depend in large measure upon the development of tourism in  
21 the Commonwealth;
- 22 (b) It is in the best interest of the Commonwealth to provide incentives for the  
23 creation of new tourism attractions and the expansion of existing tourism  
24 attractions within the Commonwealth in order to advance the public purposes  
25 of relieving unemployment by preserving and creating jobs that would not  
26 exist if not for the incentives offered by the authority to approved companies,  
27 and by preserving and creating sources of tax revenues for the support of



1 public services provided by the Commonwealth;

2 (c) The authorities granted by KRS 148.851 to 148.860 are proper governmental  
3 and public purposes for which public moneys may be expended; and

4 (d) That the creation or expansion of tourism development projects is of  
5 paramount importance mandating that the provisions of KRS 139.536 and  
6 KRS 148.851 to 148.860 be liberally construed and applied in order to  
7 advance public purposes.

8 (2) To qualify for incentives provided in KRS 139.536 and 148.851 to 148.860, the  
9 following requirements shall be met:

10 (a) For a tourism attraction project:

11 1. The total eligible costs shall exceed one million dollars (\$1,000,000),  
12 except for a tourism attraction project located in a county designated as  
13 an enhanced incentive county at the time the eligible company becomes  
14 an approved company as provided in KRS 148.857(6), the total eligible  
15 costs shall exceed five hundred thousand dollars (\$500,000);

16 2. In any year, including the first year of operation, the tourism attraction  
17 project shall be open to the public at least one hundred (100) days; and

18 3. In any year following the third year of operation, the tourism attraction  
19 project shall attract at least twenty-five percent (25%) of its visitors  
20 from among persons who are not residents of the Commonwealth;

21 (b) For an entertainment destination center project:

22 1. The total eligible costs shall exceed five million dollars (\$5,000,000);

23 2. The facility shall contain a minimum of two hundred thousand  
24 (200,000) square feet of building space adjacent or complementary to an  
25 existing tourism attraction project or a major convention facility;

26 3. The incentives shall be dedicated to a public infrastructure purpose that  
27 shall relate to the entertainment destination center project;

- 1           4. In any year, including the first year of operation, the entertainment  
2 destination center project shall:
- 3           a. Be open to the public at least one hundred (100) days per year;
- 4           b. Maintain at least one (1) major theme restaurant and at least three  
5 (3) additional entertainment venues, including but not limited to  
6 live entertainment, multiplex theaters, large-format theater, motion  
7 simulators, family entertainment centers, concert halls, virtual  
8 reality or other interactive games, museums, exhibitions, or other  
9 cultural and leisure-time activities; and
- 10          c. Maintain a minimum occupancy of sixty percent (60%) of the total  
11 gross area available for lease with entertainment and food and  
12 drink options not including the retail sale of tangible personal  
13 property; and
- 14          5. In any year following the third year of operation, the entertainment  
15 destination center project shall attract at least twenty-five percent (25%)  
16 of its visitors from among persons who are not residents of the  
17 Commonwealth;
- 18       (c) For a theme restaurant destination attraction project:
- 19           1. The total eligible costs shall exceed five million dollars (\$5,000,000);
- 20           2. In any year, including the first year of operation, the attraction shall:
- 21           a. Be open to the public at least three hundred (300) days per year  
22 and for at least eight (8) hours per day; and
- 23           b. Generate no more than fifty percent (50%) of its revenue through  
24 the sale of alcoholic beverages;
- 25           3. In any year following the third year of operation, the theme restaurant  
26 destination attraction project shall attract a minimum of fifty percent  
27 (50%) of its visitors from among persons who are not residents of the

- 1 Commonwealth; and
- 2 4. The theme restaurant destination attraction project shall:
- 3 a. At the time of final approval, offer a unique dining experience that
- 4 is not available in the Commonwealth within a one hundred (100)
- 5 mile radius of the attraction;
- 6 b. In any year, including the first year of operation, maintain seating
- 7 capacity of four hundred fifty (450) guests and offer live music or
- 8 live musical and theatrical entertainment during the peak business
- 9 hours that the facility is in operation and open to the public; or
- 10 c. Within three (3) years of the completion date, the attraction shall
- 11 obtain a top two (2) tier rating by a nationally accredited service
- 12 and shall maintain a top two (2) tier rating through the term of the
- 13 agreement;
- 14 (d) For a lodging facility project ***defined in subsection (15)(a) of Section 11 of***
- 15 ***this Act:***
- 16 1. a. The eligible costs shall exceed five million dollars (\$5,000,000)
- 17 unless the provisions of subdivision b. of this subparagraph apply.
- 18 b. i. If the lodging facility is an integral part of a major
- 19 convention or sports facility, the eligible costs shall exceed
- 20 six million dollars (\$6,000,000); and
- 21 ii. If the lodging facility includes five hundred (500) or more
- 22 guest rooms, the eligible costs shall exceed ten million
- 23 dollars (\$10,000,000); and
- 24 2. In any year, including the first year of operation, the lodging facility
- 25 shall:
- 26 a. Be open to the public at least one hundred (100) days; and
- 27 b. Attract at least twenty-five percent (25%) of its visitors from

1 among persons who are not residents of the Commonwealth;

2 (e) *For a lodging facility project defined in subsection (15)(b) of Section 11 of*  
 3 *this Act:*

4 *1. The eligible costs shall exceed one hundred million dollars*  
 5 *(\$100,000,000); and*

6 *2. The lodging facility shall:*

7 *a. Be open to the public at least one hundred (100) days each year,*  
 8 *including the first year of operation; and*

9 *b. In any year following the third year of operation, attract a*  
 10 *minimum of twenty-five percent (25%) of its overnight visitors*  
 11 *from among persons who are not residents of the*  
 12 *Commonwealth.*

13 *(f)* Any tourism development project shall not be eligible for incentives if it  
 14 includes material determined to be lewd, offensive, or deemed to have a  
 15 negative impact on the tourism industry in the Commonwealth; and

16 ~~*(g)*~~~~*(f)*~~ An expansion of any tourism development project shall in all cases be  
 17 treated as a new stand-alone project.

18 (3) *(a)* The incentives offered *to an approved company* under the Kentucky Tourism  
 19 Development Act *may include*~~*shall be as follows:*~~

20 ~~*(a) An approved company may be granted*~~ a sales tax incentive based on  
 21 the Kentucky sales tax imposed on sales generated by or arising at the  
 22 tourism development project.~~*; and*~~

23 (b) 1. For a tourism development project other than a lodging facility project  
 24 described in *subparagraph 4. or 5. of this paragraph*~~*[KRS*~~  
 25 ~~*148.851(14)(e) or (f), or a tourism attraction project described in*~~  
 26 ~~*subparagraph 2. of this paragraph]*~~:

27 a. A sales tax incentive shall be allowed to an approved company

- 1 over a period of ten (10) years, except as provided in  
2 subparagraphs ~~7.[5-]~~ and ~~8.[6-]~~ of this paragraph; and
- 3 b. The sales tax incentive shall not exceed the lesser of the total  
4 amount of the sales tax liability of the approved company and its  
5 lessees or a percentage of the approved costs as specified by the  
6 agreement, not to exceed twenty-five percent (25%);
- 7 2. For **projects approved according to the application period established**  
8 **under KRS 148.8531**, a tourism attraction project located in an  
9 enhanced incentive county at the time the eligible company becomes an  
10 approved company as provided in KRS 148.857(6):
- 11 a. A sales tax incentive shall be allowed to the approved company  
12 over a period of ten (10) years; and
- 13 b. The sales tax incentive shall not exceed the lesser of the total  
14 amount of the sales tax liability of the approved company and its  
15 lessees or a percentage of the approved costs as specified by the  
16 agreement, not to exceed thirty percent (30%);
- 17 3. **For applications considered after the effective date of this Act,**  
18 **including projects related to property to which the title passed from a**  
19 **seller to a buyer on or after March 1, 2025, a tourism attraction**  
20 **project located in an enhanced incentive county with a population**  
21 **equal to or less than twenty thousand (20,000) based on the most**  
22 **recent decennial census at the time the eligible company becomes an**  
23 **approved company as provided in KRS 148.857(6):**
- 24 **a. A sales tax incentive shall be allowed to the approved company**  
25 **over a period of twenty (20) years; and**
- 26 **b. The sales tax incentive shall not exceed the lesser of the total**  
27 **amount of the sales tax liability of the approved company and its**

1                                    *lessees or a percentage of the approved costs as specified by the*  
 2                                    *agreement, not to exceed fifty percent (50%);*

3            4. For a lodging facility project described in *subsection (15)(a)5. or 6. of*  
 4                                    *Section 11 of this Act*~~[KRS 148.851(14)(e) or (f)]~~:

5                                    a. A sales tax incentive shall be allowed to the approved company  
 6                                    over a period of twenty (20) years; and

7                                    b. The sales tax incentive shall not exceed the lesser of total amount  
 8                                    of the sales tax liability of the approved company and its lessees or  
 9                                    a percentage of the approved costs as specified by the agreement,  
 10                                    not to exceed fifty percent (50%);

11            5. *For a lodging facility project described in subsection (15)(b) of Section*  
 12                                    *11 of this Act, a sales tax incentive that shall:*

13                                    *a. Be allowed to the approved company over a period of twenty (20)*  
 14                                    *years; and*

15                                    *b. Not exceed the lesser of the total amount of sales tax liability of*  
 16                                    *the approved company and its lessees or a percentage of the*  
 17                                    *approved costs as specified by the agreement, not to exceed fifty*  
 18                                    *percent (50%);*

19            6.~~[4.]~~ Any unused incentives from a previous year may be carried forward to  
 20                                    any succeeding year during the term of the agreement until the entire  
 21                                    specified percentage of the approved costs has been received through  
 22                                    sales tax incentives;

23            7.~~[5.]~~ If the approved company is an entertainment destination center that has  
 24                                    dedicated at least thirty million dollars (\$30,000,000) of the incentives  
 25                                    provided under the agreement to a public infrastructure purpose, the  
 26                                    agreement may be amended to extend the term of the agreement up to  
 27                                    two (2) additional years if the approved company agrees to:

- 1           a. Reinvest in the original entertainment destination project one  
2           hundred percent (100%) of any incentives received during the  
3           extension that were outstanding at the end of the original term of  
4           the agreement; and
- 5           b. Report to the authority at the end of each fiscal year the amount of  
6           incentives received during the extension and how the incentives  
7           were reinvested in the original entertainment destination project;  
8           and

9           ~~8.16.~~ The term of a tourism development agreement entered into with a  
10           tourism attraction project that was in effect on January 1, 2020, shall be  
11           extended for one (1) year if the tourism attraction project:

- 12           a. Has historically been open to the public on a seasonal basis  
13           consisting of less than six (6) months;
- 14           b. Has previously met the requirement of being open to the public at  
15           least one hundred (100) days during the entire term of the tourism  
16           development agreement as required under subsection (2)(a)2. of  
17           this section;
- 18           c. Failed to be open to the public at least one hundred (100) days  
19           during the calendar year 2020 solely as a result of complying with  
20           one (1) or more executive orders issued by the Governor under the  
21           authority of KRS 39A.090 that prevented the tourism attraction  
22           project from being open to the public for at least one hundred  
23           (100) days during its normal operating season; and
- 24           d. Applied for a sales tax incentive related to the calendar year 2020  
25           operating season and was denied the sales tax incentive solely on  
26           the basis that the tourism attraction project was not open to the  
27           public for at least one hundred (100) days in calendar year 2020.

1           ➔Section 13. KRS 148.855 is amended to read as follows:

- 2       (1) The cabinet shall promulgate administrative regulations in accordance with KRS  
3       Chapter 13A to establish standards for the making of applications for incentives and  
4       the recommendation of eligible companies and their tourism development projects  
5       to the authority.
- 6       (2) The cabinet shall consult with the authority when establishing standards to ensure  
7       that standards established pursuant to subsection (1) of this section and KRS  
8       148.857(1) do not conflict.
- 9       (3) (a) The application for incentives shall be filed with the cabinet and shall include:
- 10           1. The name of the applicant;
- 11           2. Marketing plans for the tourism development project that target  
12           individuals who are not residents of the Commonwealth;
- 13           3. A description and location of the tourism development project;
- 14           4. Capital and other anticipated expenditures for the tourism development  
15           project that indicate that the total cost of the project shall exceed the  
16           minimum required costs as provided in KRS 148.853, and the  
17           anticipated sources of funding therefor;
- 18           5. The anticipated employment and wages to be paid at the tourism  
19           development project;
- 20           6. Business plans which indicate the average number of days in a year in  
21           which the tourism development project will be in operation and open to  
22           the public;
- 23           7. The anticipated revenues and expenses generated by the tourism  
24           development project;
- 25           8. If the tourism development project is an entertainment destination center  
26           project, the application shall include the public infrastructure purpose;  
27           and



- 1           9. Any other information as required by the cabinet.
- 2           (b) Based upon a review of these materials, if the cabinet determines that the  
3           eligible company and the proposed tourism development project appears to  
4           meet the requirements established by KRS 148.853, and that the proposed  
5           tourism development project may reasonably satisfy the criteria for final  
6           approval in subsection (4) of this section, the secretary of the cabinet may  
7           submit a written request to the authority for a preliminary approval of the  
8           eligible company and the tourism development project.
- 9           (4) The authority may review the request submitted by the secretary, including all  
10          relevant materials, and may, based upon that review, grant preliminary approval to  
11          an eligible company. Upon a preliminary approval by the authority, the cabinet  
12          shall engage the services of a competent consulting firm to analyze the data made  
13          available by the eligible company and to collect and analyze additional information  
14          necessary to determine that, in the independent judgment of the consultant, the  
15          proposed tourism development project:
- 16          (a) Will attract, in all years following the third year of operation, at least twenty-  
17          five percent (25%) of its visitors from among persons who are not residents of  
18          the Commonwealth, except for a theme restaurant destination attraction  
19          project, which shall attract, in all years following the third year of operation, a  
20          minimum of fifty percent (50%) of its visitors from among persons who are  
21          not residents of the Commonwealth;
- 22          (b) Will have costs in excess of the minimum amount required by KRS 148.853;
- 23          (c) 1. Will have a net positive fiscal impact on the Commonwealth  
24                considering, among other factors, the extent to which the proposed  
25                tourism development project will compete directly with existing tourism  
26                attractions or previously approved tourism development projects in the  
27                Commonwealth and the amount by which increased tax revenues from

- 1 the tourism development project will exceed the incentives given to the  
 2 approved company at the maximum level of recovery of approved costs  
 3 as provided in KRS 148.853; or
- 4 2. If the independent consultant determines that the proposed tourism  
 5 development project cannot produce a net positive fiscal impact to the  
 6 Commonwealth at the maximum level of recovery of approved costs as  
 7 provided in KRS 148.853, the independent consultant shall determine  
 8 the level of recovery, if any, at which the proposed tourism development  
 9 project can meet those standards;
- 10 (d) Will produce sufficient revenues and public demand to be operating and open  
 11 to the public for a minimum of one hundred (100) days per year, except for a  
 12 theme restaurant destination attraction, which shall be operating and open to  
 13 the public for a minimum of three hundred (300) days per year;
- 14 (e) Will not adversely affect existing employment in the Commonwealth;~~and~~
- 15 (f) Meets all other requirements of KRS 148.851 and 148.853; and
- 16 (g) For a lodging facility project defined in subsection (15)(b) of Section 11 of  
 17 this Act:
- 18 1. Will have an occupancy study conducted by an independent consultant  
 19 to determine the percentage of rooms occupied by other lodging  
 20 facilities:
- 21 a. With comparable accommodations as described in subsection  
 22 (15)(b)3. of Section 11 of this Act; and
- 23 b. Within a fifty (50) mile radius of the proposed lodging facility  
 24 project;
- 25 for the most recent calendar year for data collected; and
- 26 2. Will have a net positive impact statement that will exclude from  
 27 consideration any impact related to state-funded infrastructure that

1                                 *was approved prior to the application of the eligible company.*

- 2 (5) The independent consultant, in determining the amount of net positive fiscal impact  
3 to the Commonwealth for a new proposed tourism development project that is an  
4 expansion of an existing tourism development project shall not consider positive  
5 fiscal impacts from the following sources:
- 6 (a) Increased operations at the previously approved tourism development project  
7 that is being expanded by the proposed tourism development project;
- 8 (b) Increased operations at any other tourism development project approved for  
9 incentives provided under KRS 148.853; or
- 10 (c) Increased operations at any project approved for tax increment financing that  
11 includes state revenues approved pursuant to Subchapter 30 of KRS Chapter  
12 154.
- 13 (6) (a) The independent consultant shall consult with the authority, the Office of the  
14 State Budget Director and the Finance and Administration Cabinet in the  
15 development of a report on the proposed tourism development project.
- 16 (b) The Office of the State Budget Director and the Finance and Administration  
17 Cabinet shall agree as to the methodology to be used and assumptions to be  
18 made by the independent consultant in preparing its report.
- 19 (c) On the basis of the independent consultant's report and prior to any final  
20 approval of a project by the authority, the Office of the State Budget Director  
21 and the Finance and Administration Cabinet shall certify to the authority  
22 whether there is a projected net positive fiscal impact to the Commonwealth  
23 and the expected amount of incremental state revenues from the tourism  
24 development project. A final approval shall not be granted if it is determined  
25 that there is no projected net positive fiscal impact to the Commonwealth.
- 26 (7) The eligible company shall pay for the cost of the consultant's report and shall  
27 cooperate with the consultant and provide all of the data that the consultant deems

1 necessary to make its determination under subsection (4) of this section.

2 (8) In lieu of the independent consultant analysis required in subsection (4) of this  
3 section, if the eligible company is exempt from income tax under Section 501(c)(3)  
4 of the Internal Revenue Code and the estimated approved costs are less than ten  
5 million dollars (\$10,000,000), the cabinet shall have the option of performing an  
6 interagency review to analyze the data made available by the eligible company and  
7 to collect and analyze additional information necessary to determine that the  
8 proposed tourism development project meets the requirements set forth in  
9 subsection (4)(a) of this section. The cabinet shall comply with the same consulting  
10 and reporting requirements as an independent consultant.

11 (9) After a review of relevant materials, the consultant's report, and completion of other  
12 inquiries, the secretary shall, by written notification to the authority, provide a  
13 recommendation to the authority regarding final approval of the tourism  
14 development project.

15 ➔Section 14. KRS 148.859 is amended to read as follows:

16 (1) The authority, upon adoption of its final approval, may enter into a tourism  
17 development agreement with any approved company. The terms of the agreement  
18 shall be negotiated between the authority and the approved company and shall  
19 include but not be limited to:

20 (a) The amount of approved costs;

21 (b) That any increase in approved costs incurred by the approved company and  
22 agreed to by the authority shall apply retroactively for purposes of calculating  
23 the carry forward for unused incentives;

24 (c) A date certain by which the approved company shall have completed the  
25 tourism development project;

26 (d) That the authority may grant an extension or change, which in no event shall  
27 exceed three (3) years from the date of final approval, to the completion date

- 1 as specified in the agreement of an approved company;
- 2 (e) That within three (3) months of the completion date, the approved company  
3 shall document the actual cost of the tourism development project through a  
4 certification of the costs to be provided by an independent certified public  
5 accountant acceptable to the authority;
- 6 (f) The term of the tourism development agreement and the maximum amount of  
7 recovery;
- 8 (g) That within forty-five (45) days after the end of each fiscal year of the  
9 approved company, during the term of the agreement, the approved company  
10 shall supply the authority with reports and certifications as the authority may  
11 request demonstrating to the satisfaction of the authority that the approved  
12 company is in compliance with the provisions of KRS 139.536 and KRS  
13 148.851 to 148.860;
- 14 (h) That the approved company shall notify the authority if any change in  
15 ownership of the tourism attraction is contemplated. The authority shall  
16 reserve the option to renegotiate the terms of the agreement or, if the change  
17 in ownership is detrimental to the Commonwealth, the authority may  
18 terminate the agreement;
- 19 (i) That the approved company shall not receive a sales tax incentive as  
20 prescribed by KRS 139.536 with respect to any fiscal year if the requirements  
21 of KRS 148.853(2) have not been met;
- 22 (j) That the authority may grant an extension of up to three (3) years to the  
23 completion date in addition to the extension provided for in paragraph (d) of  
24 this subsection, to an approved company that has completed at least fifty  
25 percent (50%) of an entertainment destination center project;
- 26 (k) That in no event shall the completion date be more than six (6) years from the  
27 date of final approval; and

1 (l) That the extension provided for in paragraph (j) of this subsection shall be  
2 subject to the following conditions:

3 1. The approved company shall have spent or have contractually obligated  
4 to spend an amount equal to or greater than the amount of approved  
5 costs set forth in the initial agreement;

6 2. The term of the agreement shall not be extended, except as provided in  
7 KRS 148.853(3)(b)7. and 8.~~[4.]~~; and

8 3. The scope of the entertainment destination center project, as set forth in  
9 the initial agreement, shall not be altered to include new or additional  
10 entertainment and leisure options.

11 (2) The agreement, including the incentives provided under KRS 148.853, shall not be  
12 transferable or assignable by the approved company without the written consent of  
13 the authority and a passage of a resolution approving the proposed assignee of the  
14 incentives as an approved company.

15 ➔Section 15. KRS 154.30-050 is amended to read as follows:

16 (1) The Signature Project Program is hereby established. The purpose of this program  
17 is to encourage private investment in the development of major projects that will  
18 have a significant impact on the Commonwealth of Kentucky and are judged to be  
19 of such a magnitude that the effect upon the location of ~~the~~such project warrants  
20 extraordinary public support.

21 (2) (a) There shall be two (2) separate initiatives under this program. The first  
22 initiative, the criteria and details of which are set forth in subsection (3)(a) of  
23 this section~~[paragraph (a) of this subsection]~~, shall apply to:

24 1. Qualifying projects that are not the subject of a contract under KRS  
25 65.495 in effect on or before the March 23, 2007, but that have a project  
26 grant agreement executed pursuant to KRS 154.30-070 prior to January  
27 1, 2008; or

1            2. Revised projects if the original project was not the subject of a  
 2            contract under KRS 65.495 on or before March 23, 2007, and had a  
 3            project grant agreement executed pursuant to KRS 154.30-070 prior to  
 4            January 1, 2008, but the agreement was withdrawn voluntarily before  
 5            the project was completed.

6            (b) The second initiative, the criteria and details of which are set forth in  
 7            subsection (3)(b) of this section~~[paragraph (b) of this subsection]~~, shall apply  
 8            to projects that meet the specified requirements on or after January 1, 2008.

9            (3) (a) ~~[For projects that are not the subject of a contract under KRS 65.495 in effect~~  
 10            ~~on or before March 23, 2007, but that have a project grant agreement executed~~  
 11            ~~pursuant to the provisions of KRS 154.30-070 prior to January 1, 2008:]~~

12            1. The criteria for qualification shall be as follows:

- 13            a. The project shall represent new economic activity in the  
 14            Commonwealth; and  
 15            b. The project shall result in a minimum capital investment of two  
 16            hundred million dollars (\$200,000,000).

17            2. The following provisions shall apply to projects that meet the criteria  
 18            established in subparagraph 1. of this paragraph:

- 19            a. KRS 65.7051 shall not apply to the establishment of a  
 20            development area;  
 21            b. The city or county in which the project is located shall adopt an  
 22            ordinance establishing the development area. The ordinance shall  
 23            be adopted in accordance with KRS 65.7053(1)(a), (b), (c), (d),  
 24            (e), (h), (i), (j), (k), (l), and (m);  
 25            c. KRS 65.7049, 65.7053(2) and (3), 65.7057, 65.7059, 65.7061,  
 26            65.7063, 65.7065, and 65.7067, relating to local development  
 27            areas, shall apply;

- 1           d. An application for state participation shall have been submitted as  
2           provided in KRS 154.30-030. The application shall include the  
3           information required by KRS 154.30-030(2)(a) 1.a. and b.;
- 4           e. The report provided for in KRS 154.30-030(2)(a) 3.b. shall not be  
5           required, and the certification required by KRS 154.30-030(6)(b)  
6           shall not be required;
- 7           f. A project grant agreement shall be executed in accordance with  
8           KRS 154.30-070; and
- 9           g. KRS 154.30-080 and 154.30-090 shall apply.
- 10          3. Projects that meet the criteria established in subparagraph 1. of this  
11          paragraph shall be eligible for the following:
- 12          a. Up to one hundred percent (100%) of approved public  
13          infrastructure costs, excluding any sales and use tax paid, may be  
14          recovered;
- 15          b. Up to one hundred percent (100%) of the financing costs  
16          associated with approved public infrastructure costs may be  
17          recovered;
- 18          c. In a county containing a city of the first class, the local  
19          participation agreement may provide for the release of up to eighty  
20          percent (80%) of the increment from the tax levied under KRS  
21          91A.390 derived by the governing body within the project  
22          development area. The amount released shall not exceed a base  
23          amount of four hundred thousand dollars (\$400,000) in the first  
24          year of the local participation agreement, which base amount shall  
25          be increased in each subsequent year of the grant agreement by  
26          four percent (4%); and
- 27          d. Up to one hundred percent (100%) of approved signature project



1 costs, excluding any sales and use taxes paid, subject to the  
2 following:

- 3 i. The authority shall review proposed ~~[-]~~expenditures for ~~[-]~~  
4 ~~-----~~inclusion in the tax incentive ~~[-]~~agreement. The  
5 authority may approve the type ~~[-]~~of expenditures it  
6 determines are ~~[-]~~necessary for completion of the private  
7 development; and  
8 ii. Approved signature project costs shall be detailed in the tax  
9 incentive agreement.

10 (b) Beginning January 1, 2008:

- 11 1. A project shall meet all of the following criteria to be considered for  
12 state participation under this program:
- 13 a. The project shall represent new economic activity in the  
14 Commonwealth;
- 15 b. The project shall result in a minimum capital investment of two  
16 hundred million dollars (\$200,000,000);
- 17 c. The project shall result in a net positive economic impact to the  
18 Commonwealth, taking into consideration any substantial adverse  
19 impact on existing Commonwealth businesses. The net positive  
20 impact shall be certified to the commission as required by KRS  
21 154.30-030(6)(b); and
- 22 d. Not more than twenty percent (20%) of the capital investment or  
23 twenty percent (20%) of the finished square footage shall be  
24 devoted to the support or development of assets that will be  
25 utilized for the retail sale of tangible personal property.
- 26 2. Projects that meet the criteria established by subparagraph 1. of this  
27 paragraph shall comply with all relevant provisions of this subchapter.

- 1           3. Projects that meet the criteria established by subparagraphs 1. and 2. of  
2 this paragraph shall be eligible to recover:
- 3           a. Up to one hundred percent (100%) of approved public  
4 infrastructure costs, excluding any sales and use taxes paid;
- 5           b. Up to one hundred percent (100%) of the financing costs  
6 associated with approved public infrastructure costs; and
- 7           c. Up to one hundred percent (100%) of approved signature project  
8 costs, excluding sales and use taxes paid subject to the following:
- 9           i. The authority shall review proposed expenditures for  
10 inclusion in the tax incentive agreement. The authority may  
11 approve the type of expenditures it determines are necessary  
12 for completion of the private development; and
- 13           ii. Approved signature project costs shall be detailed in the tax  
14 incentive agreement.
- 15 ~~(4)~~~~(3)~~ The authority shall review the application, the certification required by KRS  
16 154.30-030, if applicable, and supporting information as provided in KRS 154.30-  
17 030.
- 18 ~~(5)~~~~(4)~~ The authority shall specifically identify the state taxes from which  
19 incremental revenues will be pledged. The authority may pledge up to eighty  
20 percent (80%) of the incremental revenues from the identified state tax revenues  
21 from the footprint, provided that the maximum amount of incremental revenues that  
22 may be pledged for a project during the term of the tax incentive agreement from all  
23 approved state taxes shall not exceed one hundred percent (100%) of approved  
24 public infrastructure costs, approved signature project costs, and financing costs.
- 25 ~~(6)~~~~(5)~~ As part of the approval process, the authority shall determine the following:
- 26           (a) The footprint of the project;
- 27           (b) The maximum amount of approved public infrastructure costs, approved

- 1 signature project costs, and financing costs;
- 2 (c) That the local revenues pledged to support the public infrastructure of the  
3 project, and local revenues pledged to support the overall project are of a  
4 sufficient amount to warrant participation of the Commonwealth in the  
5 project;
- 6 (d) The termination date of the tax incentive agreement, not to exceed thirty (30)  
7 years from the activation date;
- 8 (e) Any adjustments to be made to old revenues, in determining incremental  
9 revenues during each year of the term of the project grant agreement; and
- 10 (f) Any approved signature project costs;
- 11 ~~(7)~~~~(6)~~ For the purpose of making the determination required by KRS 139.515(2), the  
12 authority shall review the projected expenditures for tangible personal property  
13 used in the construction of a signature project, as defined in KRS 139.515(1), and  
14 shall establish an approximate percentage of the total anticipated expenditures that  
15 are not included in the tax incentive agreement as approved public infrastructure  
16 costs or approved signature project costs. This percentage shall be communicated  
17 by the authority to the Department of Revenue, which shall use the information in  
18 administering the sales tax refund permitted by KRS 139.515.
- 19 ~~(8)~~~~(7)~~ If state income taxes or local occupational license taxes are included for a  
20 project that includes office space, the authority shall consider the impact of  
21 pledging these taxes on the ability to utilize other economic development projects  
22 at a later date.
- 23 ~~(9)~~~~(8)~~ The pledge of state incremental tax revenues of the Commonwealth by the  
24 authority shall be implemented through the execution of a tax incentive agreement  
25 between the Commonwealth and the agency, city, or county in accordance with  
26 KRS 154.30-070.
- 27 ~~(10)~~~~(9)~~ Notwithstanding the minimum capital investment of two hundred million

1 dollars (\$200,000,000) required by subsection ~~(3)(2)~~(b)1.b. of this section, the  
2 authority may, upon application of an agency that:

3 (a) Was approved to proceed with a project after January 1, 2008, but before  
4 January 1, 2013, that, at the time of approval pledged to make the two  
5 hundred million dollars (\$200,000,000) investment requirement; and

6 (b) Had a consultant report prepared pursuant to KRS 154.30-030(6);  
7 approve a reduction in the required minimum capital investment to an amount not  
8 less than one hundred fifty million dollars (\$150,000,000), subject to a  
9 corresponding adjustment of the maximum incremental revenue available for  
10 recovery as appropriate, based upon the recommendation of the consultant who  
11 prepared the report pursuant to KRS 154.30-030(6).

12 **(11) Notwithstanding any statute to the contrary, if a project had a project grant**  
13 **agreement executed pursuant to KRS 154.30-070 prior to January 1, 2008, but**  
14 **the agreement was withdrawn voluntarily before the project was completed, the**  
15 **project may be revised and resubmitted under subsection (3)(a) of this section.**

16 ➔Section 16. KRS 91A.390 is amended to read as follows:

17 (1) (a) The commission shall annually submit to the local governing body or bodies  
18 which established it a request for funds for the operation of the commission.

19 (b) The local governing body or bodies shall include the commission in the  
20 annual budget and shall provide funds for the operation of the commission by  
21 imposing a transient room tax on the rent for every occupancy of a suite,  
22 room, rooms, cabins, lodgings, campsites, or other accommodations charged  
23 by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds,  
24 recreational vehicle parks, or any other place in which accommodations are  
25 regularly furnished to transients for consideration or by any person that  
26 facilitates the rental of the accommodations by brokering, coordinating, or in  
27 any other way arranging for the rental of the accommodations as follows:

- 1           1. For a local governing body or bodies, other than an urban-county  
2           government, the tax rate shall not exceed three percent (3%); and
- 3           2. For an urban-county government, the tax rate shall not exceed four  
4           percent (4%).
- 5           (c) In addition to the three percent (3%) levy authorized by paragraph (b)1. of this  
6           subsection, the local governing body other than an urban-county government  
7           may impose a special transient room tax not to exceed one percent (1%) for  
8           the purposes of:
  - 9           1. Meeting the operating expenses of a convention center; and
  - 10          2. In the case of a consolidated local government, financing the renovation  
11          or expansion of a convention center that is government-owned and  
12          located in the central business district of the consolidated local  
13          government, except that if a consolidated local government imposes the  
14          special transient room tax authorized under this paragraph on or after  
15          August 1, 2014, revenue derived from the levy shall not be used to meet  
16          the operating expenses of a convention center until any debt issued for  
17          financing the renovation or expansion of a government-owned  
18          convention center located in the central business district of the  
19          consolidated local government is retired.
- 20          (d) Transient room taxes shall not apply to rooms, lodgings, campsites, or  
21          accommodations supplied for a continuous period of thirty (30) days or more  
22          to a person.
- 23          (e) The local governing body or bodies that have established a commission by  
24          joint or separate action shall enact an ordinance for the enforcement of the tax  
25          measure enacted pursuant to this section and the collection of the proceeds of  
26          this tax measure on a monthly basis.
- 27          (2) All moneys collected pursuant to this section and KRS 91A.400 shall be maintained

- 1 in an account separate and unique from all other funds and revenues collected, and  
2 shall be considered tax revenue for the purposes of KRS 68.100 and KRS 92.330.
- 3 (3) A portion of the money collected from the imposition of this tax, as determined by  
4 the tax levying body, upon the advice and consent of the tourist and convention  
5 commission, may be used to finance the cost of acquisition, construction, operation,  
6 and maintenance of facilities useful in the attraction and promotion of tourist and  
7 convention business, including projects described in KRS 154.30-050~~(3)(2)~~(a).  
8 The balance of the money collected from the imposition of this tax shall be used for  
9 the purposes set forth in KRS 91A.350. Proceeds of the tax shall not be used as a  
10 subsidy in any form to any hotel, motel, inn, motor court, tourist camp, tourist  
11 cabin, campgrounds, recreational vehicle parks, or any other person furnishing  
12 accommodations, or restaurant, except as provided in KRS 154.30-  
13 050~~(3)(2)~~(a)3.c. Money not expended by the commission during any fiscal year  
14 shall be used to make up a part of the commission's budget for its next fiscal year.
- 15 (4) A county with a city of the first class may impose an additional tax, not to exceed  
16 one and one-half percent (1.5%) of the rent. This additional tax, if approved by the  
17 local governing body, shall be collected and administered in the same manner as the  
18 tax authorized by subsection (1)(b) of this section and shall be used for the purpose  
19 of funding additional promotion of tourist and convention business.
- 20 (5) An urban-county government may impose an additional tax, not to exceed one  
21 percent (1%) of the rents included in this subsection. This additional tax shall be  
22 collected and administered in the same manner as the tax authorized by subsection  
23 (1)(b) of this section with the exception that this additional tax shall be used for the  
24 purpose of funding the purchase of development rights program provided for under  
25 KRS 67A.845.
- 26 (6) Local governing bodies which have formed multicounty tourist and convention  
27 commissions as provided by KRS 91A.350(3) may impose an additional tax, not to

1 exceed one percent (1%) of the rents. This additional tax, if approved by each  
2 governing body, shall be collected and administered in the same manner as the tax  
3 authorized by subsection (1)(b) of this section, with the exception that this  
4 additional tax shall be used for the purpose of funding regional efforts relating to  
5 the promotion of tourist and convention business and convention centers. In no  
6 event shall any revenues collected as provided for under KRS 91A.350(3) be  
7 utilized for the construction, renovation, maintenance, or additions to any  
8 convention center that is located outside the boundaries of the Commonwealth of  
9 Kentucky.

10 (7) The commission, with the approval of the tax levying body, may borrow money to  
11 pay its obligations that cannot be paid at maturity out of current revenue from the  
12 transient room tax, but shall not borrow a sum greater than can be repaid out of the  
13 revenue anticipated from the transient room tax during the year the money is  
14 borrowed. The commission may pledge its securities for the repayment of any sum  
15 borrowed.

16 (8) The fiscal court or legislative body of a consolidated local government or city  
17 establishing a commission pursuant to KRS 91A.350(1) or (2) and, in its own name,  
18 a commission established pursuant to of KRS 91A.350(1) is authorized and  
19 empowered to issue revenue bonds pursuant to KRS Chapter 58 for public projects.  
20 Bonds issued for the purposes of KRS 91A.345 to 91A.394, may be used to pay any  
21 cost for the acquisition of real estate, the construction of buildings and  
22 appurtenances, the preparation of plans and specifications, and legal and other  
23 services incidental to the project or to the issuance of the bonds. The payment of the  
24 bonds, with interest, may be secured by a pledge of and a first lien on all of the  
25 receipts and revenue derived, or to be derived, from the rental or operation of the  
26 property involved. Bond and interest obligations issued pursuant to this section  
27 shall not constitute an indebtedness of the county, consolidated local government,

1 or city. All bonds sold under the authority of this section shall be subject to  
2 competitive bidding as provided by law, and shall bear interest at a rate not to  
3 exceed that established for bonds issued for public projects under KRS Chapter 58.

4 (9) A commission established pursuant to KRS 91A.350(3) is authorized and  
5 empowered to issue revenue bonds in its own name, payable solely from its income  
6 and revenue, pursuant to KRS Chapter 58 for revenue bonds for public projects.  
7 Bonds issued for the purposes of KRS 91A.345 to 91A.394, may be used to pay any  
8 cost for the acquisition of real estate, the construction of buildings and  
9 appurtenances, the preparation of plans and specifications, and legal and other  
10 services incidental to the project or to the issuance of the bonds. The payment of the  
11 bonds, with interest, may be secured by a pledge of and a first lien on all of the  
12 receipts and revenue derived, or to be derived, from the rental or operation of the  
13 property involved. Bond and interest obligations issued pursuant to this section  
14 shall not constitute an indebtedness of the county. All bonds sold pursuant to this  
15 section shall be subject to competitive bidding as provided by law, and shall not  
16 bear interest at rates exceeding those for bonds issued for public projects under  
17 KRS Chapter 58.

18 ➔Section 17. KRS 154.30-010 is amended to read as follows:

19 As used in this subchapter:

20 (1) "Activation date" means:

21 (a) For all projects except those described in paragraph (b) of this subsection, the  
22 date established any time within a two (2) year period after the  
23 commencement date. The Commonwealth may extend the two (2) year period  
24 to no more than four (4) years upon written application by the agency  
25 requesting the extension; and

26 (b) For signature projects approved under KRS 154.30-050~~(3)~~~~(2)~~(a), the date  
27 established any time within a ten (10) year period after the commencement



1 date.

2 For all projects established after July 14, 2018, the activation date is the date on  
3 which the time period for the pledge of incremental revenues shall commence. To  
4 implement the activation date, the minimum capital investment must be met and the  
5 agency that is a party to the tax incentive agreement shall notify the office;

6 (2) "Agency" means:

7 (a) An urban renewal and community development agency established under  
8 KRS Chapter 99;

9 (b) A development authority established under KRS Chapter 99;

10 (c) A nonprofit corporation;

11 (d) A housing authority established under KRS Chapter 80;

12 (e) An air board established under KRS 183.132 to 183.160;

13 (f) A local industrial development authority established under KRS 154.50-301  
14 to 154.50-346;

15 (g) A riverport authority established under KRS 65.510 to 65.650; or

16 (h) A designated department, division, or office of a city or county;

17 (3) (a) "Approved public infrastructure costs" means costs associated with the  
18 acquisition, installation, construction, or reconstruction of public works,  
19 public improvements, and public buildings, including planning and design  
20 costs associated with the development of ~~the~~<sup>such</sup> public amenities.

21 (b) "Approved public infrastructure costs" includes but is not limited to costs  
22 incurred for the following:

23 1.~~(a)~~ Land preparation, including demolition and clearance work;

24 2.~~(b)~~ Buildings;

25 3.~~(c)~~ Sewers and storm drainage;

26 4.~~(d)~~ Curbs, sidewalks, promenades, and pedways;

27 5.~~(e)~~ Roads;

- 1           ~~6.(f)~~ Street lighting;
- 2           ~~7.(g)~~ The provision of utilities;
- 3           ~~8.(h)~~ Environmental remediation;
- 4           ~~9.(i)~~ Floodwalls and floodgates;
- 5           ~~10.(j)~~ Public spaces or parks;
- 6           ~~11.(k)~~ Parking;
- 7           ~~12.(l)~~ Easements and rights-of-way;
- 8           ~~13.(m)~~ Transportation facilities;
- 9           ~~14.(n)~~ Public landings;
- 10          ~~15.(o)~~ Amenities, **including**~~[such as]~~ fountains, benches, and sculptures;
- 11                                 and
- 12          ~~16.(p)~~ Riverbank modifications and improvements;

- 13 (4) "Approved signature project costs" means:
- 14         (a) The acquisition of land for portions of the project that are for infrastructure;
- 15                                 and
- 16         (b) Costs associated with the acquisition, installation, development, construction,
- 17                                 improvement, or reconstruction of infrastructure, including planning and
- 18                                 design costs associated with the development of infrastructure, including but
- 19                                 not limited to parking structures, including portions of parking structures that
- 20                                 serve as platforms to support development above;
- 21         that have been determined by the commission to represent a unique challenge in the
- 22                                 financing of a project such that the project could not be developed without
- 23                                 incentives intended by this chapter to foster economic development;

24 (5) "Authority" means the Kentucky Economic Development Finance Authority  
25         established by KRS 154.20-010;

- 26 (6) "Capital investment" means:
- 27         (a) Obligations incurred for labor and to contractors, subcontractors, builders, and

- 1 materialmen in connection with the acquisition, construction, installation,  
2 equipping, and rehabilitation of a project;
- 3 (b) The cost of acquiring land or rights in land within the development area on the  
4 footprint of the project, and any cost incident thereto, including recording  
5 fees;
- 6 (c) The cost of contract bonds and of insurance of all kinds that may be required  
7 or necessary during the course of acquisition, construction, installation,  
8 equipping, and rehabilitation of a project which is not paid by the contractor  
9 or contractors or otherwise provided;
- 10 (d) All costs of architectural and engineering services, including test borings,  
11 surveys, estimates, plans, specifications, preliminary investigations,  
12 supervision of construction, and the performance of all the duties required by  
13 or consequent upon the acquisition, construction, installation, equipping, and  
14 rehabilitation of a project;
- 15 (e) All costs that are required to be paid under the terms of any contract for the  
16 acquisition, construction, installation, equipping, and rehabilitation of a  
17 project; and
- 18 (f) All other costs of a nature comparable to those described in this subsection  
19 that occur after preliminary approval;
- 20 (7) "City" means any city, consolidated local government, or urban-county  
21 government;
- 22 (8) "Commencement date" means the final approval date or the date on which a tax  
23 incentive agreement is executed;
- 24 (9) "Commonwealth" means the Commonwealth of Kentucky;
- 25 (10) "County" means any county, consolidated local government, charter county, unified  
26 local government, or urban-county government;
- 27 (11) "CPI" means the nonseasonally adjusted Consumer Price Index for all urban

1 consumers, all items, base year computed for 1982 to 1984 equals one hundred  
2 (100), published by the United States Department of Labor, Bureau of Labor  
3 Statistics;

4 (12) "Department" means the Department of Revenue;

5 (13) "Development area" means an area established under KRS 65.7049, 65.7051, and  
6 65.7053;

7 (14) "Economic development projects" means projects which are approved for tax  
8 credits under Subchapter 20, 22, 23, 24, 25, 26, 27, 28, 34, or 48 of KRS Chapter  
9 154;

10 (15) "Financing costs" means principal, interest, costs of issuance, debt service reserve  
11 requirements, underwriting discount, costs of credit enhancement or liquidity  
12 instruments, and other costs directly related to the issuance of bonds or debt for  
13 approved public infrastructure costs or approved signature project costs for projects  
14 approved pursuant to KRS 154.30-050;

15 (16) "Footprint" means the actual perimeter of a discrete, identified project within a  
16 development area. The footprint shall not include any portion of a development area  
17 outside the area for which actual capital investments are made and must be  
18 contiguous;

19 (17) "Governing body" means the body possessing legislative authority in a city or  
20 county;

21 (18) "Increment bonds" means bonds and notes issued for the purpose of paying the  
22 costs of one (1) or more projects;

23 (19) "Incremental revenues" means:

24 (a) The amount of revenues received by a taxing district, as determined by  
25 subtracting old revenues from new revenues in a calendar year with respect to  
26 a development area, or a project within a development area; or

27 (b) The amount of revenues received by the Commonwealth as determined by

1 subtracting old revenues from new revenues in a calendar year with respect to  
2 the footprint;

3 (20) "Local participation agreement" means the agreement entered into under KRS  
4 65.7063;

5 (21) "Local tax revenues" has the same meaning as in KRS 65.7045;

6 (22) "Modified new revenues for income tax" means the amount of individual income  
7 tax included in state tax revenues that is:

8 (a) The result of multiplying the portion of state tax revenues from individual  
9 income taxes by the modifier;

10 (b) Used for calculating state tax revenues in calendar years 2023 to 2026; and

11 (c) For projects approved prior to January 1, 2023;

12 (23) "Modifier" means the result of dividing the individual income tax rate of five  
13 percent (5%), in effect as of December 31, 2022, by the individual income tax rate  
14 under KRS 141.020 for the calendar year in which the new revenues for income tax  
15 are being computed;

16 (24) "New revenues" means:

17 (a) The amount of local tax revenues received by a taxing district with respect to  
18 a development area in any calendar year beginning with the year in which the  
19 activation date occurred; and

20 (b) The amount of state tax revenues received by the Commonwealth with respect  
21 to the footprint in any calendar year beginning with the year in which the  
22 activation date occurred.

23 For projects approved prior to January 1, 2023, any state tax revenues received by  
24 the Commonwealth from individual income tax shall be computed using modified  
25 new revenues for income tax;

26 (25) "Old revenues" means:

27 (a) The amount of local tax revenues received by a taxing district with respect to

1 a development area as of December 31 of the year of preliminary approval; or

2 (b) 1. The amount of state tax revenues received by the Commonwealth within  
3 the footprint as of December 31 of the year of preliminary approval. If  
4 the authority determines that the amount of state tax revenues received  
5 as of December 31 of the last calendar year prior to the commencement  
6 of preliminary approval does not represent a true and accurate depiction  
7 of revenues, the authority may consider revenues for a period of no  
8 longer than three (3) calendar years prior to the year of preliminary  
9 approval, so as to determine a fair representation of state tax revenues.  
10 The amount determined by the authority shall be specified in the tax  
11 incentive agreement. If state tax revenues were derived from the  
12 footprint prior to the year of preliminary approval, old revenues shall  
13 increase each calendar year by:

- 14 a. The percentage increase, if any, of the CPI or a comparable index;  
15 or  
16 b. An alternative percentage increase that is determined to be  
17 appropriate by the authority.

18 The method for increasing old revenues shall be set forth in the tax  
19 incentive agreement;

20 2. If state revenues were derived from the footprint prior to the year of  
21 preliminary approval, the calculation of incremental revenues shall be  
22 based on the value of old revenues as increased using the method  
23 prescribed in subparagraph 1. of this paragraph to reflect the same  
24 calendar year as is used in the determination of new revenues;

25 (26) "Outstanding" means increment bonds that have been issued, delivered, and paid  
26 for by the purchaser, except any of the following:

27 (a) Increment bonds canceled upon surrender, exchange, or transfer, or upon

- 1 payment or redemption;
- 2 (b) Increment bonds in replacement of which or in exchange for which other
- 3 increment bonds have been issued; or
- 4 (c) Increment bonds for the payment, redemption, or purchase for cancellation
- 5 prior to maturity, of which sufficient moneys or investments, in accordance
- 6 with the ordinance or other proceedings or any applicable law, by mandatory
- 7 sinking fund redemption requirements, or otherwise, have been deposited, and
- 8 credited in a sinking fund or with a trustee or paying or escrow agent, whether
- 9 at or prior to their maturity or redemption, and, in the case of increment bonds
- 10 to be redeemed prior to their stated maturity, notice of redemption has been
- 11 given or satisfactory arrangements have been made for giving notice of that
- 12 redemption, or waiver of that notice by or on behalf of the affected bond
- 13 holders has been filed with the issuer or its agent;
- 14 (27) "Preliminary approval" means the action taken by the authority preliminarily
- 15 approving an eligible project for incentives under this subchapter;
- 16 (28) "Project" means any property, asset, or improvement located in a development area
- 17 and certified by the governing body as:
- 18 (a) Being for a public purpose; and
- 19 (b) Being for the development of facilities for residential, commercial, industrial,
- 20 public, recreational, or other uses, or for open space, including the
- 21 development, rehabilitation, renovation, installation, improvement,
- 22 enlargement, or extension of real estate and buildings; and
- 23 (c) Contributing to economic development or tourism; and
- 24 (d) Meeting the additional requirements established by KRS 154.30-040, 154.30-
- 25 050, or 154.30-060;
- 26 (29) "Signature project" means a project approved under KRS 154.30-050;
- 27 (30) "State real property ad valorem tax" means real property ad valorem taxes levied

1 under KRS 132.020(1)(a);

2 (31) "State tax revenues" means revenues received by the Commonwealth from one (1)  
3 or more of the following sources:

4 (a) State real property ad valorem taxes;

5 (b) Individual income taxes levied under KRS 141.020, other than individual  
6 income taxes that have already been pledged to support an economic  
7 development project within the development area;

8 (c) Corporation income taxes levied under KRS 141.040, other than corporation  
9 income taxes that have already been pledged to support an economic  
10 development project within the development area;

11 (d) Limited liability entity taxes levied under KRS 141.0401, other than limited  
12 liability entity taxes that have already been pledged to support an economic  
13 development project within the development area; and

14 (e) Sales taxes levied under KRS 139.200, excluding sales taxes already pledged  
15 for:

16 1. Approved tourism attraction projects, as defined in KRS 148.851, within  
17 the development area; and

18 2. Projects which are approved for sales tax refunds under Subchapter 20  
19 of KRS Chapter 154 within the development area;

20 (32) "Tax incentive agreement" means an agreement entered into in accordance with  
21 KRS 154.30-070; and

22 (33) "Termination date" means:

23 (a) For a tax incentive agreement satisfying the requirements of KRS 154.30-040  
24 or 154.30-060, a date established by the tax incentive agreement that is no  
25 more than twenty (20) years from the activation date. However, the  
26 termination date for a tax incentive agreement shall in no event be more than  
27 forty (40) years from the establishment date of the development area to which



1 the tax incentive agreement relates; and

2 (b) For a project grant agreement satisfying the requirements of KRS 154.30-050,  
3 a date established by the tax incentive agreement that is no more than thirty  
4 (30) years from the activation date. However, the termination date for a tax  
5 incentive agreement shall in no event be more than forty (40) years from the  
6 establishment date of the development area to which the tax incentive  
7 agreement relates.

8 ➔Section 18. KRS 154.30-030 is amended to read as follows:

9 (1) The Commonwealth shall offer three (3) tax increment financing participation  
10 programs. The first program, the criteria and details of which are set forth in KRS  
11 154.30-040, relates to a pledge of state real property ad valorem taxes only. The  
12 second program, the criteria and details of which are set forth in KRS 154.30-050,  
13 is the Signature Projects Program. The third program, the criteria and details of  
14 which are set forth in KRS 154.30-060, relates to the pledge of state tax revenues to  
15 support mixed-use development in blighted urban areas.

16 (2) (a) A city or county that has established a development area pursuant to KRS  
17 65.7049, 65.7051, and 65.7053, or an agency designated as the entity  
18 managing a development area established pursuant to KRS 65.7049, 65.7051,  
19 and 65.7053, may submit an application to the authority requesting that the  
20 Commonwealth participate in a project.

21 1. The application shall identify the specific program under which state  
22 participation is being requested and shall include the following  
23 attachments, in addition to any requirements developed by the authority  
24 pursuant to paragraph (b) of this subsection:

25 a. A copy of the ordinance adopted by the city or county establishing  
26 the development area;

27 b. A copy of the local participation agreement; and

- 1                   c. Data and information supporting the determinations and findings  
2                   required by KRS 65.7049.
- 3                   2. The staff of the authority shall review the application to determine if the  
4                   applicant has met all of the statutory and regulatory requirements  
5                   established by this subchapter and shall notify the applicant in writing of  
6                   its determination. This review shall be preliminary in nature and shall  
7                   not constitute approval of the request. All applications for participation  
8                   by the Commonwealth shall be reviewed by the authority for approval.
- 9                   3. a. Applications meeting all statutory and regulatory requirements  
10                  requesting participation by the Commonwealth pursuant to KRS  
11                  154.30-040, along with any supporting materials, shall be referred  
12                  by the staff of the authority to the authority for consideration.
- 13                  b. i. Applicants meeting all statutory and regulatory requirements  
14                  requesting participation by the Commonwealth pursuant to  
15                  KRS 154.30-050~~(3)~~~~(2)~~(b) or 154.30-060 shall be required  
16                  to submit a report prepared by an independent consultant or  
17                  financial adviser as described in subsection (6) of this section  
18                  for the application to be complete. The staff of the authority  
19                  shall notify ~~the~~~~such~~ applicants of the report requirements  
20                  and shall provide information regarding the contents and  
21                  requirements for the report at the same time it notifies the  
22                  applicant of the results of its preliminary review.
- 23                  ii. Upon receipt and review of the report, the staff of the  
24                  authority shall refer the application and supporting  
25                  information to the authority for consideration.
- 26                  (b) Additional standards and requirements for the application process shall be  
27                  established by the authority through the promulgation of administrative

1 regulations in accordance with KRS Chapter 13A.

2 (3) (a) The authority may request any materials and make any inquiries concerning  
3 an application that the authority deems necessary.

4 (b) The authority shall, through the promulgation of administrative regulations in  
5 accordance with KRS Chapter 13A, establish commercially reasonable  
6 limitations on the financing costs that may be recovered under the provisions  
7 of KRS 154.30-050.

8 (4) Upon review of an application and other information available, the authority may  
9 pledge all or a portion of the state real property ad valorem tax incremental revenue  
10 of the Commonwealth or state tax revenues attributable to the footprint of the  
11 project, as limited by KRS 154.30-040, 154.30-050, or 154.30-060, whichever is  
12 applicable.

13 (a) If incremental revenues are pledged from less than one hundred percent  
14 (100%) of the footprint of the project, a description of the included portion of  
15 the development area shall be provided.

16 (b) State tax revenues from the development area that have not been pledged to  
17 projects within the development area may be used to support other economic  
18 development projects or tourism projects approved under KRS 139.536 and  
19 148.851 to 148.860, provided that state tax revenues shall not be pledged  
20 more than once during the existence of the development area. Thus, state tax  
21 revenues pledged to support increment bonds issued for the development area,  
22 or a project in the development area shall not be pledged to support any other  
23 development area, project, program, development, or undertaking during the  
24 life of the development area. If less than one hundred percent (100%) of  
25 incremental revenues are pledged pursuant to the provisions of this  
26 subchapter, the remaining incremental revenues shall not be used to support  
27 other economic development projects or tourism projects approved under

1 KRS 139.536 and 148.851 to 148.860.

2 (5) The pledge of incremental state real property ad valorem tax revenues or state tax  
3 revenues of the Commonwealth by the authority shall be implemented through the  
4 execution of a tax incentive agreement between the Commonwealth and the agency,  
5 city, or county, as the case may be, in accordance with KRS 154.30-070.

6 (6) (a) The authority shall engage the services of a qualified independent outside  
7 consultant or financial adviser to analyze the data related to the project and  
8 the development area and prepare the report required by subsection (2) of this  
9 section. The report shall include the following:

- 10 1. The estimated approved public infrastructure costs for the project and, if  
11 relevant, approved signature project costs, financing costs, and costs  
12 associated with land preparation, demolition, and clearance;
- 13 2. The feasibility of the project, taking into account the scope and location  
14 of the project;
- 15 3. The estimated amount of local tax revenues and state tax revenues, as  
16 applicable, that would be generated by the project over the period,  
17 which may be up to twenty (20) years or thirty (30) years, as applicable,  
18 from the activation date;
- 19 4. The estimated amount of local tax revenues and state tax revenues, as  
20 applicable, that would be displaced within the Commonwealth, for the  
21 purpose of quantifying economic activity which is being shifted over the  
22 same period as that set forth in subparagraph 3. of this paragraph. The  
23 projections for displaced activity shall include economic activity that is  
24 lost to the Commonwealth as a result of the project, as well as economic  
25 activity that is diverted to the project that formerly took place at existing  
26 establishments within the Commonwealth prior to the commencement  
27 date of the project;

- 1           5.    The estimated amount of local and state old revenues that would have  
2            been generated in the footprint of the project in the absence of the  
3            project, computed over the same time period as set forth in subparagraph  
4            3. of this paragraph;
- 5           6.    In the process of estimating the revenues and impacts prescribed in  
6            subparagraphs 3. and 4. of this paragraph, the independent outside  
7            consultant shall not consider any of the following:
- 8            a.    Revenues or economic impacts associated with any projects within  
9            the development area where the new project will be located; and
- 10           b.    Revenues or economic impacts associated with economic  
11            development projects and approved Kentucky Tourism  
12            Development Act projects under KRS Chapter 148;
- 13           7.    The relationship of the estimated incremental revenues to the financing  
14            needs, including any increment bonds, of the project;
- 15           8.    When estimating the fiscal impact of the project, the consultant shall  
16            evaluate the amount of revenue estimated in subparagraph 3. of this  
17            paragraph and shall deduct the amounts estimated in subparagraphs 4.  
18            and 5. of this paragraph. The resulting difference shall be compared to  
19            the estimated incremental revenues to determine the presence or absence  
20            of a positive fiscal impact; and
- 21           9.    A determination that the project will not occur if not for the designation  
22            of the development area, the granting of incremental revenues by the  
23            taxing district or districts, other than the Commonwealth, and the  
24            granting of the state tax incremental revenues.
- 25           (b) 1.    The independent consultant or financial advisor shall consult with the  
26            Office of State Budget Director, and the Finance and Administration  
27            Cabinet in the development of the report.

- 1           2.    The Office of State Budget Director and the staff of the authority, in  
2                   collaboration with the independent consultant or financial advisor, shall  
3                   agree on a methodology to be used and assumptions to be made by the  
4                   independent consultant or financial consultant in preparing its report.
- 5           3.    On the basis of the independent consultant's report and the other  
6                   materials provided, prior to any approval of a project by the authority,  
7                   the Office of State Budget Director and the Finance and Administration  
8                   Cabinet shall certify to the authority whether there is a projected net  
9                   positive economic impact to the Commonwealth and the expected  
10                  amount of state tax incremental revenues from the project.
- 11          4.    The city, county, or agency making the application shall pay all costs  
12                  associated with the independent consultant's or financial advisor's report.

13           ➔Section 19. KRS 241.010 is amended to read as follows:

14    As used in KRS Chapters 241 to 244, unless the context requires otherwise:

- 15    (1) "Alcohol" means ethyl alcohol, hydrated oxide of ethyl or spirit of wine, from  
16           whatever source or by whatever process it is produced;
- 17    (2) "Alcoholic beverage" means every liquid, solid, powder, or crystal, whether  
18           patented or not, containing alcohol in an amount in excess of more than one percent  
19           (1%) of alcohol by volume, which is fit for beverage purposes. It includes every  
20           spurious or imitation liquor sold as, or under any name commonly used for,  
21           alcoholic beverages, whether containing any alcohol or not. It does not include the  
22           following products:
  - 23           (a) Medicinal preparations manufactured in accordance with formulas prescribed  
24                  by the United States Pharmacopoeia, National Formulary, or the American  
25                  Institute of Homeopathy;
  - 26           (b) Patented, patent, and proprietary medicines;
  - 27           (c) Toilet, medicinal, and antiseptic preparations and solutions;

- 1 (d) Flavoring extracts and syrups;
- 2 (e) Denatured alcohol or denatured rum;
- 3 (f) Vinegar and preserved sweet cider;
- 4 (g) Wine for sacramental purposes; and
- 5 (h) Alcohol unfit for beverage purposes that is to be sold for legitimate external
- 6 use;
- 7 (3) (a) "Alcohol vaporizing device" or "AWOL device" means any device, machine,
- 8 or process that mixes liquor, spirits, or any other alcohol product with pure
- 9 oxygen or by any other means produces a vaporized alcoholic product used
- 10 for human consumption;
- 11 (b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler,
- 12 nebulizer, atomizer, or other device that is designed and intended by the
- 13 manufacturer to dispense a prescribed or over-the-counter medication or a
- 14 device installed and used by a licensee under this chapter to demonstrate the
- 15 aroma of an alcoholic beverage;
- 16 (4) "Automobile race track" means a facility primarily used for vehicle racing that has a
- 17 seating capacity of at least thirty thousand (30,000) people;
- 18 (5) "Barrel-aged and batched cocktail" means an alcoholic beverage that is:
- 19 (a) Composed of:
- 20 1. Distilled spirits that have been dispensed from their original sealed
- 21 container; and
- 22 2. Other ingredients or alcoholic beverages;
- 23 (b) Placed into a barrel or container on the premises of a retail licensee; and
- 24 (c) Dispensed from the barrel or container as a retail sale by the drink;
- 25 (6) "Bed and breakfast" means a one (1) family dwelling unit that:
- 26 (a) Has guest rooms or suites used, rented, or hired out for occupancy or that are
- 27 occupied for sleeping purposes by persons not members of the single-family

1 unit;

2 (b) Holds a permit under KRS Chapter 219; and

3 (c) Has an innkeeper who resides on the premises or property adjacent to the  
4 premises during periods of occupancy;

5 (7) "Board" means the State Alcoholic Beverage Control Board created by KRS  
6 241.030;

7 (8) "Bottle" means any container which is used for holding alcoholic beverages for the  
8 use and sale of alcoholic beverages at retail;

9 (9) "Brewer" means any person who manufactures malt beverages or owns, occupies,  
10 carries on, works, or conducts any brewery, either alone or through an agent;

11 (10) "Brewery" means any place or premises where malt beverages are manufactured for  
12 sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards,  
13 and storerooms connected with the premises; or where any part of the process of the  
14 manufacture of malt beverages is carried on; or where any apparatus connected with  
15 manufacture is kept or used; or where any of the products of brewing or  
16 fermentation are stored or kept;

17 (11) "Building containing licensed premises" means the licensed premises themselves  
18 and includes the land, tract of land, or parking lot in which the premises are  
19 contained, and any part of any building connected by direct access or by an  
20 entrance which is under the ownership or control of the licensee by lease holdings  
21 or ownership;

22 **(12) "Cannabinoid" means a compound found in the hemp plant *Cannabis sativa L.***  
23 **from a United States Department of Agriculture sanctioned domestic hemp**  
24 **production program and does not include cannabinoids derived from any other**  
25 **substance;**

26 **(13) "Cannabis-infused beverage":**

27 **(a) Means a properly permitted adult-use cannabinoid liquid product intended**



1 for human consumption that has intoxicating properties that change the  
 2 function of the nervous system and results in alterations of perception,  
 3 cognition, or behavior and shall not contain more than five (5) milligrams  
 4 of intoxicating adult-use cannabinoids; and

5 (b) Shall not include:

6 1. Medicinal cannabis regulated under KRS Chapter 218B;

7 2. Any type of hemp tincture; and

8 3. Any product containing solely nonintoxicating cannabinoids;

9 ~~(14)~~~~(12)~~ "Caterer" means a person operating a food service business that prepares food  
 10 in a licensed and inspected commissary, transports the food and alcoholic beverages  
 11 to the caterer's designated and inspected banquet hall or to an agreed location, and  
 12 serves the food and alcoholic beverages pursuant to an agreement with another  
 13 person;

14 ~~(15)~~~~(13)~~ "Charitable organization" means a nonprofit entity recognized as exempt from  
 15 federal taxation under section 501(c) of the Internal Revenue Code (26 U.S.C. sec.  
 16 501(c)) or any organization having been established and continuously operating  
 17 within the Commonwealth of Kentucky for charitable purposes for three (3) years  
 18 and which expends at least sixty percent (60%) of its gross revenue exclusively for  
 19 religious, educational, literary, civic, fraternal, or patriotic purposes;

20 ~~(16)~~~~(14)~~ "Cider" means any fermented fruit-based beverage containing seven percent  
 21 (7%) or more alcohol by volume and includes hard cider and perry cider;

22 ~~(17)~~~~(15)~~ "City administrator" means city alcoholic beverage control administrator;

23 ~~(18)~~~~(16)~~ "Commercial airport" means an airport through which more than five hundred  
 24 thousand (500,000) passengers arrive or depart annually;

25 ~~(19)~~~~(17)~~ (a) "Commercial quadricycle" means a vehicle equipped with a minimum  
 26 of ten (10) pairs of fully operative pedals for propulsion by means of human  
 27 muscular power and which:

- 1           1.    Has four (4) wheels;
- 2           2.    Is operated in a manner similar to that of a bicycle;
- 3           3.    Is equipped with a minimum of thirteen (13) seats for passengers;
- 4           4.    Has a unibody design;
- 5           5.    Is equipped with a minimum of four (4) hydraulically operated brakes;
- 6           6.    Is used for commercial tour purposes;
- 7           7.    Is operated by the vehicle owner or an employee of the owner; and
- 8           8.    Has an electrical assist system that shall only be used when traveling to
- 9                    or from its storage location while not carrying passengers.
- 10          (b)  A "commercial quadricycle" is not a motor vehicle as defined in KRS 186.010
- 11                    or 189.010;
- 12          ~~(20)~~~~(18)~~ "Commissioner" means the commissioner of the Department of Alcoholic
- 13                    Beverage Control;
- 14          ~~(21)~~~~(19)~~ "Consumer" means a person, persons, or business organization who purchases
- 15                    alcoholic beverages and who:
- 16           (a)  Does not hold a license or permit issued by the department;
- 17           (b)  Purchases the alcoholic beverages for personal consumption only and not for
- 18                    resale;
- 19           (c)  Is of lawful drinking age; and
- 20           (d)  Receives the alcoholic beverages in territory where the alcoholic beverages
- 21                    may be lawfully sold or received;
- 22          ~~(22)~~~~(20)~~ "Convention center" means any facility which, in its usual and customary
- 23                    business, provides seating for a minimum of one thousand (1,000) people and offers
- 24                    convention facilities and related services for seminars, training and educational
- 25                    purposes, trade association meetings, conventions, or civic and community events
- 26                    or for plays, theatrical productions, or cultural exhibitions;
- 27          ~~(23)~~~~(21)~~ "Convicted" and "conviction" means a finding of guilt resulting from a plea of

1 guilty, the decision of a court, or the finding of a jury, irrespective of a  
2 pronouncement of judgment or the suspension of the judgment;

3 ~~(24)~~~~(22)~~ "County administrator" means county alcoholic beverage control  
4 administrator;

5 ~~(25)~~~~(23)~~ "Department" means the Department of Alcoholic Beverage Control;

6 ~~(26)~~~~(24)~~ "Dining car" means a railroad passenger car that serves meals to consumers  
7 on any railroad or Pullman car company;

8 ~~(27)~~~~(25)~~ "Discount in the usual course of business" means price reductions, rebates,  
9 refunds, and discounts given by wholesalers to distilled spirits and wine retailers  
10 pursuant to an agreement made at the time of the sale of the merchandise involved  
11 and are considered a part of the sales transaction, constituting reductions in price  
12 pursuant to the terms of the sale, irrespective of whether the quantity discount was:

13 (a) Prorated and allowed on each delivery;

14 (b) Given in a lump sum after the entire quantity of merchandise purchased had  
15 been delivered; or

16 (c) Based on dollar volume or on the quantity of merchandise purchased;

17 ~~(28)~~~~(26)~~ "Distilled spirits" or "spirits" means any product capable of being consumed  
18 by a human being which contains alcohol obtained by distilling, mixed with water  
19 or other substances in solution, except wine, hard cider, and malt beverages;

20 ~~(29)~~~~(27)~~ "Distiller" means any person who is engaged in the business of manufacturing  
21 distilled spirits at any distillery in the state and is registered in the Office of the  
22 Collector of Internal Revenue for the United States at Louisville, Kentucky;

23 ~~(30)~~~~(28)~~ "Distillery" means any place or premises where distilled spirits are  
24 manufactured for sale, and which are registered in the office of any collector of  
25 internal revenue for the United States. It includes any United States government  
26 bonded warehouse;

27 ~~(31)~~~~(29)~~ "Distributor" means any person who distributes malt beverages for the

1 purpose of being sold at retail;

2 ~~(32)~~~~(30)~~ "Dry" means a territory in which a majority of the electorate voted to prohibit  
3 all forms of retail alcoholic beverage~~alcohol~~ sales through a local option election  
4 held under KRS Chapter 242;

5 ~~(33)~~~~(31)~~ "Election" means:

6 (a) An election held for the purpose of taking the sense of the people as to the  
7 application or discontinuance of alcoholic beverage sales under KRS Chapter  
8 242; or

9 (b) Any other election not pertaining to alcoholic beverages~~alcohol~~;

10 ~~(34)~~~~(32)~~ "Horse racetrack" means a facility licensed to conduct a horse race meeting  
11 under KRS Chapter 230;

12 ~~(35)~~~~(33)~~ "Hotel" means a hotel, motel, or inn for accommodation of the traveling  
13 public, designed primarily to serve transient patrons;

14 ~~(36)~~~~(34)~~ "Investigator" means any employee or agent of the department who is  
15 regularly employed and whose primary function is to travel from place to place for  
16 the purpose of visiting licensees, and any employee or agent of the department who  
17 is assigned, temporarily or permanently, by the commissioner to duty outside the  
18 main office of the department at Frankfort, in connection with the administration of  
19 alcoholic beverage statutes;

20 ~~(37)~~~~(35)~~ "License" means any license issued pursuant to KRS Chapters 241 to 244;

21 ~~(38)~~~~(36)~~ "Licensee" means any person to whom a license has been issued, pursuant to  
22 KRS Chapters 241 to 244;

23 ~~(39)~~~~(37)~~ "Limited restaurant" means:

24 (a) A facility where the usual and customary business is the preparation and  
25 serving of meals to consumers, which has a bona fide kitchen facility, which  
26 receives at least seventy percent (70%) of its food and alcoholic beverage  
27 receipts from the sale of food, which maintains a minimum seating capacity of

1 fifty (50) persons for dining, which has no open bar, which requires that  
2 alcoholic beverages be sold in conjunction with the sale of a meal, and which  
3 is located in a wet or moist territory under KRS 242.1244; or

4 (b) A facility where the usual and customary business is the preparation and  
5 serving of meals to consumers, which has a bona fide kitchen facility, which  
6 receives at least seventy percent (70%) of its food and alcoholic beverage  
7 receipts from the sale of food, which maintains a minimum seating capacity of  
8 one hundred (100) persons of dining, and which is located in a wet or moist  
9 territory under KRS 242.1244;

10 ~~(40)~~~~[(38)]~~ "Local administrator" means a city alcoholic beverage ***control*** administrator,  
11 county alcoholic beverage ***control*** administrator, or urban-county alcoholic  
12 beverage control administrator;

13 ~~(41)~~~~[(39)]~~ "Malt beverage" means any fermented undistilled alcoholic beverage of any  
14 name or description, manufactured from malt wholly or in part, or from any  
15 substitute for malt, and includes weak cider;

16 ~~(42)~~~~[(40)]~~ "Manufacture" means distill, rectify, brew, bottle, and operate a winery;

17 ~~(43)~~~~[(41)]~~ "Manufacturer" means a winery, distiller, rectifier, or brewer, and any other  
18 person engaged in the production or bottling of alcoholic beverages;

19 ~~(44)~~~~[(42)]~~ "Marina" means a dock or basin providing moorings for boats and offering  
20 supply, repair, or other services for remuneration;

21 ~~(45)~~~~[(43)]~~ "Minor" means any person who is not twenty-one (21) years of age or older;

22 ~~(46)~~~~[(44)]~~ "Moist" means a territory in which a majority of the electorate voted to permit  
23 limited ***alcoholic beverage***~~[alcohol]~~ sales by any one (1) or a combination of  
24 special limited local option elections authorized by KRS Chapter 242;

25 ~~(47)~~~~[(45)]~~ "Population" means the population figures established by the federal  
26 decennial census for a census year or the current yearly population estimates  
27 prepared by the Kentucky State Data Center, Urban Studies Center of the

1 University of Louisville, Louisville, Kentucky, for all other years;

2 ~~(48)~~~~(46)~~ "Premises" means the land and building in and upon which any business  
3 regulated by alcoholic beverage statutes is operated or carried on. "Premises" shall  
4 not include as a single unit two (2) or more separate businesses of one (1) owner on  
5 the same lot or tract of land, in the same or in different buildings if physical and  
6 permanent separation of the premises is maintained, excluding employee access by  
7 keyed entry and emergency exits equipped with crash bars, and each has a separate  
8 public entrance accessible directly from the sidewalk or parking lot. Any licensee  
9 holding an alcoholic beverage license on July 15, 1998, shall not, by reason of this  
10 subsection, be ineligible to continue to hold his or her license or obtain a renewal,  
11 of the license;

12 ~~(49)~~~~(47)~~ "Primary source of supply" or "supplier" means the distiller, winery, brewer,  
13 producer, owner of the commodity at the time it becomes a marketable product,  
14 bottler, or authorized agent of the brand owner. In the case of imported products,  
15 the primary source of supply means either the foreign producer, owner, bottler, or  
16 agent of the prime importer from, or the exclusive agent in, the United States of the  
17 foreign distiller, producer, bottler, or owner;

18 ~~(50)~~~~(48)~~ "Private club" means a nonprofit social, fraternal, military, or political  
19 organization, club, or nonprofit or for-profit entity maintaining or operating a club  
20 room, club rooms, or premises from which the general public is excluded;

21 ~~(51)~~~~(49)~~ "Private selection event" means a private event with a licensed distiller during  
22 which participating consumers, retail licensees, wholesalers, distributors, or a  
23 distillery's own representatives select a single barrel or a blend of barrels of the  
24 distiller's products to be specially packaged for the participants;

25 ~~(52)~~~~(50)~~ "Private selection package" means a bottle of distilled spirits sourced from the  
26 barrel or barrels selected by participating consumers, retail licensees, wholesalers,  
27 distributors, microbreweries that hold a quota retail drink or quota retail package

1 license, or a distillery's own representatives during a private selection event;

2 ~~(53)~~~~(51)~~ "Public nuisance" means a condition that endangers safety or health, is  
3 offensive to the senses, or obstructs the free use of property so as to interfere with  
4 the comfortable enjoyment of life or property by a community or neighborhood or  
5 by any considerable number of persons;

6 ~~(54)~~~~(52)~~ "Qualified historic site" means:

- 7 (a) A contributing property with dining facilities for at least fifty (50) persons at  
8 tables, booths, or bars where food may be served within a commercial district  
9 listed in the National Register of Historic Places;
- 10 (b) A site that is listed as a National Historic Landmark or in the National  
11 Register of Historic Places with dining facilities for at least fifty (50) persons  
12 at tables, booths, or bars where food may be served;
- 13 (c) A distillery which is listed as a National Historic Landmark and which  
14 conducts souvenir retail package sales under KRS 243.0305; or
- 15 (d) A not-for-profit or nonprofit facility listed on the National Register of Historic  
16 Places;

17 ~~(55)~~~~(53)~~ "Rectifier" means any person who rectifies, purifies, or refines distilled  
18 spirits, malt, or wine by any process other than as provided for on distillery  
19 premises, and every person who, without rectifying, purifying, or refining distilled  
20 spirits by mixing alcoholic beverages with any materials, manufactures any  
21 imitations of or compounds liquors for sale under the name of whiskey, brandy, gin,  
22 rum, wine, spirits, cordials, bitters, or any other name;

23 ~~(56)~~~~(54)~~ "Repackaging" means the placing of alcoholic beverages in any retail  
24 container irrespective of the material from which the container is made;

25 ~~(57)~~~~(55)~~ "Restaurant" means a facility where the usual and customary business is the  
26 preparation and serving of meals to consumers, that has a bona fide kitchen facility,  
27 and that receives at least fifty percent (50%) of its food and alcoholic beverage

1 receipts from the sale of food at the premises;

2 ~~(58)~~~~(56)~~ "Retail container" means any bottle, can, barrel, or other container which,  
3 without a separable intermediate container, holds alcoholic beverages and is  
4 suitable and destined for sale to a retail outlet, whether it is suitable for delivery or  
5 shipment to the consumer or not;

6 ~~(59)~~~~(57)~~ "Retail sale" means any sale of alcoholic beverages to a consumer, including  
7 those transactions taking place in person, electronically, online, by mail, or by  
8 telephone;

9 ~~(60)~~~~(58)~~ "Retailer" means any licensee who sells and delivers any alcoholic beverage  
10 to consumers, except for manufacturers with limited retail sale privileges and direct  
11 shipper licensees;

12 ~~(61)~~~~(59)~~ "Riverboat" means any boat or vessel with a regular place of mooring in this  
13 state that is licensed by the United States Coast Guard to carry forty (40) or more  
14 passengers for hire on navigable waters in or adjacent to this state;

15 ~~(62)~~~~(60)~~ "Sale" means any transfer, exchange, or barter for consideration, and includes  
16 all sales made by any person, whether principal, proprietor, agent, servant, or  
17 employee, of any alcoholic beverage;

18 ~~(63)~~~~(61)~~ "Service bar" means a bar, counter, shelving, or similar structure used for  
19 storing or stocking supplies of alcoholic beverages that is a workstation where  
20 employees prepare alcoholic beverage drinks to be delivered to customers away  
21 from the service bar;

22 ~~(64)~~~~(62)~~ "Sell" includes solicit or receive an order for, keep or expose for sale, keep  
23 with intent to sell, and the delivery of any alcoholic beverage;

24 ~~(65)~~~~(63)~~ "Small farm winery" means a winery whose wine production is not less than  
25 two hundred fifty (250) gallons and not greater than five hundred thousand  
26 (500,000) gallons in a calendar year;

27 ~~(66)~~~~(64)~~ "Souvenir package" means a special package of distilled spirits available from



1 a licensed retailer that is:

2 (a) Available for retail sale at a licensed Kentucky distillery where the distilled  
3 spirits were produced or bottled; or

4 (b) Available for retail sale at a licensed Kentucky distillery but produced or  
5 bottled at another of that distiller's licensed distilleries in Kentucky;

6 ~~(67)~~~~((65))~~ "State administrator" or "administrator" means the distilled spirits  
7 administrator or the malt beverages administrator, or both, as the context requires;

8 ~~(68)~~~~((66))~~ "State park" means a state park that has a:

9 (a) Nine (9) or eighteen (18) hole golf course; or

10 (b) Full-service lodge and dining room;

11 ~~(69)~~~~((67))~~ "Supplemental bar" means a bar, counter, shelving, or similar structure used  
12 for serving and selling distilled spirits or wine by the drink for consumption on the  
13 licensed premises to guests and patrons from additional locations other than the  
14 main bar;

15 ~~(70)~~~~((68))~~ "Territory" means a county, city, district, or precinct;

16 ~~(71)~~~~((69))~~ "Urban-county administrator" means an urban-county alcoholic beverage  
17 control administrator;

18 ~~(72)~~~~((70))~~ "Valid identification document" means an unexpired, government-issued form  
19 of identification that contains the photograph and date of birth of the individual to  
20 whom it is issued;

21 ~~(73)~~~~((71))~~ "Vehicle" means any device or animal used to carry, convey, transport, or  
22 otherwise move alcoholic beverages or any products, equipment, or appurtenances  
23 used to manufacture, bottle, or sell these beverages;

24 ~~(74)~~~~((72))~~ "Vintage distilled spirit" means:

25 (a) A private selection package; or

26 (b) A package or packages of distilled spirits that:

27 1. Are in their original manufacturer's unopened container;

- 1           2.    Are not owned by a distillery; and
- 2           3.    Are not otherwise available for purchase from a licensed wholesaler
- 3                 within the Commonwealth;

4    ~~(75)~~~~[(73)]~~ (a) "Vintage distilled spirits seller" means a nonlicensed person at least  
5           twenty-one (21) years of age who is:

- 6           1.    An administrator, executor, receiver, or other fiduciary who receives and
- 7                 sells vintage distilled spirits in execution of the person's fiduciary
- 8                 capacity;
- 9           2.    A creditor who receives or takes possession of vintage distilled spirits as
- 10                security for, or in payment of, debt, in whole or in part;
- 11           3.    A public officer or court official who levies on vintage distilled spirits
- 12                under order or process of any court or magistrate to sell the vintage
- 13                distilled spirits in satisfaction of the order or process; or
- 14           4.    Any other person not engaged in the business of selling alcoholic
- 15                beverages.

16           (b) "Vintage distilled spirits seller" does not mean:

- 17           1.    A person selling alcoholic beverages as part of an approved KRS
- 18                243.630 transfer; or
- 19           2.    A person selling alcoholic beverages as authorized by KRS 243.540;

20    ~~(76)~~~~[(74)]~~ "Warehouse" means any place in which alcoholic beverages are housed or  
21           stored;

22    ~~(77)~~~~[(75)]~~ "Weak cider" means any fermented fruit-based beverage containing more than  
23           one percent (1%) but less than seven percent (7%) alcohol by volume;

24    ~~(78)~~~~[(76)]~~ "Wet" means a territory in which a majority of the electorate voted to permit  
25           all forms of retail alcoholic beverage~~alcohol~~ sales by a local option election under  
26           KRS 242.050 or 242.125 on the following question: "Are you in favor of the sale of  
27           alcoholic beverages in (name of territory)?"

1 ~~(79)~~~~(77)~~ "Wholesale sale" means a sale to any person for the purpose of resale;

2 ~~(80)~~~~(78)~~ "Wholesaler" means any person who distributes alcoholic beverages for the  
3 purpose of being sold at retail, but it shall not include a subsidiary of a  
4 manufacturer or cooperative of a retail outlet;

5 ~~(81)~~~~(79)~~ "Wine" means the product of the normal alcoholic fermentation of the juices  
6 of fruits, with the usual processes of manufacture and normal additions, and  
7 includes champagne and sparkling and fortified wine of an alcoholic content not to  
8 exceed twenty-four percent (24%) by volume. It includes sake, cider, hard cider,  
9 and perry cider and also includes preparations or mixtures vended in retail  
10 containers if these preparations or mixtures contain not more than fifteen percent  
11 (15%) of alcohol by volume. It does not include weak cider; and

12 ~~(82)~~~~(80)~~ "Winery" means any place or premises in which wine is manufactured from  
13 any fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials  
14 are compounded, except a place or premises that manufactures wine for sacramental  
15 purposes exclusively.

16 ➔Section 20. KRS 243.720 is amended to read as follows:

17 (1) (a) There is levied upon the use, sale, or distribution by sale or gift of distilled  
18 spirits a tax of one dollar and ninety-two cents (\$1.92) on each wine gallon of  
19 distilled spirits, and a proportional rate per gallon on all distilled spirits used,  
20 sold, or distributed in any container of more or less than one (1) gallon, but  
21 the rate of the excise tax on spirits in retail containers of one-half (1/2) pint  
22 shall be twelve cents (\$0.12); and

23 (b) Notwithstanding the provisions of paragraph (a) of this subsection, distilled  
24 spirits placed in containers for sale at retail, where the distilled spirits  
25 represent six percent (6%) or less of the total volume of the contents of  
26 ~~the~~~~such~~ containers, shall be taxed at the rate of twenty-five cents (\$0.25) per  
27 gallon.

- 1 (2) There is levied upon the use, sale, or distribution by sale or gift of wine, a tax of  
 2 fifty cents (\$0.50) on each gallon of wine, and a proportional rate per gallon on the  
 3 wine used, sold, or distributed in any container of more or less than one (1) gallon,  
 4 but the tax shall not be less than four cents (\$0.04) on the sale or distribution of any  
 5 retail container of wine.
- 6 (3) (a) There is levied upon the sale or distribution by sale or gift of malt beverages  
 7 an excise tax of two dollars and fifty cents (\$2.50) on each barrel of thirty-one  
 8 (31) gallons and a proportional rate per gallon on malt beverages sold or  
 9 distributed in any container of more or less than thirty-one (31) gallons;
- 10 (b) Each brewer producing malt beverages in this state shall be entitled to a credit  
 11 of fifty percent (50%) of the tax levied on each barrel of malt beverages sold  
 12 in this state, up to three hundred thousand (300,000) barrels per annum.
- 13 (4) *There is levied upon the use, sale, or distribution by sale or gift of cannabis-*  
 14 *infused beverages a tax of one dollar and ninety-two cents (\$1.92) on each gallon*  
 15 *of a cannabis-infused beverage, and a proportional rate per gallon on all*  
 16 *cannabis-infused beverages used, sold, or distributed in any container of more or*  
 17 *less than one (1) gallon.*
- 18 (5) This section shall not apply to:
- 19 (a) Wine manufactured, sold, given away, or distributed and used solely for  
 20 sacramental purposes; or
- 21 (b) Distilled spirits and wine purchased by holders of special licenses provided  
 22 for in KRS 243.320 and purchased and used in the manner authorized by  
 23 those licenses.
- 24 ➔Section 21. KRS 243.730 is amended to read as follows:
- 25 (1) (a) Wholesalers of distilled spirits and wine shall pay and report the tax levied by  
 26 KRS 243.720(1) and (2) on or before the twentieth day of the calendar month  
 27 next succeeding the month in which possession or title of the distilled spirits

1 and wine is transferred from the wholesaler to retailers or consumers in this  
 2 state, in accordance with administrative~~[rules and]~~ regulations promulgated  
 3 under KRS Chapter 13A~~[of the Department of Revenue]~~ designed reasonably  
 4 to protect the revenues of the Commonwealth.

5 (b) 1. Distributors or retailers of malt beverages, who purchase malt beverages  
 6 directly from a brewer, shall pay and report the tax levied by KRS  
 7 243.720(3) on or before the twentieth day of the calendar month next  
 8 succeeding the month in which the brewer sells, transfers, or passes title  
 9 of the malt beverage to the distributor or retailer, in accordance with  
 10 administrative~~[rules and]~~ regulations promulgated under KRS Chapter  
 11 13A~~[of the Department of Revenue]~~ designed reasonably to protect the  
 12 revenues of the Commonwealth.

13 2. The credit allowed brewers in this state, under the provisions of KRS  
 14 243.720(3)(b), shall flow through to the distributor or retailer who  
 15 purchases malt beverages directly from the brewer.

16 3. If a brewer sells, transfers, or passes title to malt beverages to any of its  
 17 employees for home consumption or to any charitable or fraternal  
 18 organization pursuant to the provisions of KRS 243.150, the brewer  
 19 shall be responsible for paying and reporting the tax levied by KRS  
 20 243.720(3) in accordance with the provisions of paragraph (d) of this  
 21 subsection~~[(c) of this section]~~.

22 (c) Cannabis-infused beverage distributors shall pay and report the tax levied  
 23 by subsection (4) of Section 20 of this Act on or before the twentieth day of  
 24 the calendar month next succeeding the month in which possession or title  
 25 of the cannabis-infused beverages are transferred from the cannabis-  
 26 infused beverage distributor to retailers or consumers in this state, in  
 27 accordance with administrative regulations promulgated under KRS

1           Chapter 13A designed reasonably to protect the revenues of the  
 2           Commonwealth.

3           (d) 1. Every brewer selling, transferring, or passing title to malt beverages to  
 4           any person in this state other than a distributor or retailer;

5           2. Every manufacturer of cannabis-infused beverages permitted by the  
 6           Department for Public Health selling, transferring, or passing title to  
 7           cannabis-infused beverages to any person in this state other than a  
 8           distributor or retailer;~~;~~ and

9           3. Every other person selling, transferring, or passing title of distilled  
 10          spirits, wine, ~~or~~ malt beverages, or cannabis-infused beverages to  
 11          distributors, retailers, cannabis-infused beverage licensees, or  
 12          consumers;

13          shall report and pay the tax levied by KRS 243.720~~[(1), (2), or (3)]~~ on or  
 14          before the twentieth day of the calendar month next succeeding the month in  
 15          which possession or title of distilled spirits, wine, ~~or~~ malt beverages, or  
 16          cannabis-infused beverages is transferred to a distributor, retailer, cannabis-  
 17          infused beverage licensee, or consumer in this state, in accordance with  
 18          administrative~~rules and~~ regulations promulgated under KRS Chapter  
 19          13A~~[of the Department of Revenue]~~ designed reasonably to protect the  
 20          revenues of the Commonwealth.

21          ~~(e)~~~~(d)~~ Every distributor, retailer, or consumer possessing, using, selling, or  
 22          distributing distilled spirits, wine,~~or~~ malt beverages, or cannabis-infused  
 23          beverages in this state upon which the tax levied by KRS 243.720~~[(1), (2), or~~  
 24          ~~(3)]~~ and KRS 243.884 has not been paid shall be jointly and severally liable  
 25          for reporting and paying the tax due, in accordance with administrative~~rules~~  
 26          ~~and~~ regulations promulgated under KRS Chapter 13A~~[of the Department of~~  
 27          ~~Revenue]~~ designed reasonably to protect the revenues of the Commonwealth.

1           ~~The~~<sup>[Such]</sup> liability shall not be extinguished until the tax has been paid to the  
2           Department of Revenue.

3           ~~(f)(e)~~ Notwithstanding the provisions of paragraph (a) of this subsection,  
4           every owner of a small farm winery shall pay and report the tax levied by  
5           KRS 243.720 (1) and (2) on a quarterly basis, in accordance with  
6           administrative regulations of the Department of Revenue designed reasonably  
7           to protect the revenues of the Commonwealth.

8           (2) Every wholesaler of distilled spirits or wine before using, selling, or distributing by  
9           sale or gift distilled spirits and wine shall ~~register~~<sup>[qualify]</sup> with the Department of  
10          Revenue.

11          (3) Every brewer before selling or distributing by sale or gift malt beverages, or before  
12          importing malt beverages into the state, shall ~~register~~<sup>[qualify]</sup> with the Department  
13          of Revenue in ~~a~~<sup>[such]</sup> manner as the Department of Revenue may require.

14          **(4) Every manufacturer of cannabis-infused beverages before selling or distributing**  
15          **by sale or gift cannabis-infused beverages, or before importing cannabis-infused**  
16          **beverages into the state, shall:**

17          **(a) Obtain a permit as a food manufacturer through the Department for Public**  
18          **Health; and**

19          **(b) Register with the Department of Revenue in a manner as the Department of**  
20          **Revenue may require.**

21          ➔Section 22. KRS 243.790 is amended to read as follows:

22          The sale or distribution of alcoholic beverages ~~or~~ **cannabis-infused beverages**  
23          manufactured in or imported into this state for shipment permanently out of the state to  
24          be sold without the state and consumed without the state shall not be subject to the tax  
25          imposed by KRS 243.720. Provided, however, the Department of Revenue may, when  
26          necessary for the purpose of control enforcement or protection of revenue, prescribe the  
27          conditions under which containers of ~~the~~<sup>[such]</sup> alcoholic beverages **or cannabis-infused**

1 beverages for shipment permanently out of the state to be sold without the state and  
 2 consumed without the state may be kept and trafficked in without payment of the tax.

3 ➔Section 23. KRS 243.850 is amended to read as follows:

4 (1) For the purpose of assisting in the enforcement of Sections 20, 21, 22, and 24 of  
 5 this Act~~[KRS 243.720 to 243.850 and 243.884 or any amendments thereof]~~, every  
 6 licensee, except retailers, whether subject to the payment of taxes imposed by  
 7 Sections 20, 21, 22, and 24 of this Act~~[said sections or any amendments thereof]~~,  
 8 shall, on or before the twentieth day of each month, render to the Department of  
 9 Revenue a statement, in writing, of all ~~[his]~~ trafficking in alcoholic beverages or  
 10 cannabis-infused beverages during the preceding month.

11 (2) The~~[Such]~~ statement shall:

12 (a) Be taken directly from the records of the reporting licensee or manufacturer  
 13 of cannabis-infused beverages permitted by the Department for Public  
 14 Health, and shall set forth on forms furnished by the Department of Revenue  
 15 the required~~[such]~~ information; and~~[ as shall be required by it. such statement~~  
 16 ~~shall]~~

17 (b) Include alcoholic beverages or cannabis-infused beverages~~[ alcohol]~~  
 18 destined for sale outside the state, as well as alcoholic beverages or cannabis-  
 19 infused beverages subject to the tax imposed by Sections 20, 21, 22, and 24  
 20 of this Act~~[KRS 243.720 to 243.850 and 243.884 or any amendments~~  
 21 ~~thereof]. [ Provided, that ]~~

22 (3) The Department of Revenue shall have authority to require from retail licensees,  
 23 ~~[and]~~ other licensees, and manufacturers of cannabis-infused beverages, other  
 24 reports and statements at the necessary~~[such]~~ times~~[ as are necessary]~~ for the  
 25 enforcement of Sections 20, 21, 22, and 24 of this Act~~[KRS 243.720 to 243.850~~  
 26 ~~and 243.884 or any amendments thereof].~~

27 ➔Section 24. KRS 243.884 is amended to read as follows:



- 1 (1) (a) For the privilege of making "wholesale sales" or "sales at wholesale" of *malt*  
 2 *beverages*~~[beer]~~, wine, ~~[or]~~ distilled spirits, *or cannabis-infused beverages*, a  
 3 tax is hereby imposed upon all wholesalers of wine and distilled spirits, all  
 4 distributors of *malt beverages or*~~[beer,]~~ *cannabis-infused beverages*, all  
 5 direct shipper licensees shipping *alcoholic beverages*~~[alcohol]~~ *or cannabis-*  
 6 *infused beverages* to a consumer at a Kentucky address, all distillers making  
 7 sales pursuant to KRS 243.0305(3), (4)(a)1. and 2. and (c), (7), (9), (10), (12),  
 8 and (13), all microbreweries selling malt beverages under KRS 243.157, ~~[and~~  
 9 ~~]all~~ small farm wineries selling wine under KRS 243.155, *and all*  
 10 *manufacturers of cannabis-infused beverages permitted by the Department*  
 11 *for Public Health*.
- 12 (b) Prior to July 1, 2015, the tax shall be imposed at the rate of eleven percent  
 13 (11%) of the gross receipts of any ~~[such]~~ wholesaler or distributor derived  
 14 from "sales at wholesale" or "wholesale sales" made within the  
 15 Commonwealth, except as provided in subsection (3) of this section. For the  
 16 purposes of this section, the gross receipts of a microbrewery making  
 17 "wholesale sales" shall be calculated by determining the dollar value amount  
 18 that the microbrewer would have collected had it conveyed to a distributor the  
 19 same volume sold to a consumer as allowed under KRS 243.157 (3)(b) and  
 20 (c).
- 21 (c) ~~[On and after July 1, 2015, ]~~The following rates shall apply *to wholesale sales*  
 22 *or sales at wholesale*:
- 23 1. For distilled spirits *and cannabis-infused beverages*, eleven percent  
 24 (11%)~~[of wholesale sales or sales at wholesale]~~; and
  - 25 2. For wine *and malt beverages*, ~~[and beer:~~
    - 26 a. ~~Ten and three quarters of one percent (10.75%) for wholesale sales~~  
 27 ~~or sales at wholesale made on or after July 1, 2015, and before~~

1                   ~~June 1, 2016;~~

2                   ~~b. Ten and one half of one percent (10.5%) for wholesale sales or~~  
 3                   ~~sales at wholesale made on or after June 1, 2016, and before June~~  
 4                   ~~1, 2017;~~

5                   ~~e. Ten and one quarter of one percent (10.25%) for wholesale sales~~  
 6                   ~~or sales at wholesale made on or after June 1, 2017, and before~~  
 7                   ~~June 1, 2018; and~~

8                   ~~d. ten percent (10%) for wholesale sales or sales at wholesale made~~  
 9                   ~~on or after June 1, 2018].~~

10           (d) ~~[On and after March 12, 2021, ]~~The following rates shall apply for direct  
 11           shipper sales:

12           1. For distilled spirits **and cannabis-infused beverages** shipments, eleven  
 13           percent (11%) for wholesale sales or sales at wholesale; and

14           2. For wine **and malt beverage**~~[and beer]~~ shipments, ten percent (10%) for  
 15           wholesale sales or sales at wholesale.

16           (e) For direct shipper sales or sales made pursuant to KRS 243.0305, if a  
 17           wholesale price is not readily available, the direct shipper licensee or distillery  
 18           shall calculate the wholesale price to be seventy percent (70%) of the retail  
 19           price of the alcoholic beverages.

20           (2) Wholesalers of distilled spirits and wine, distributors of malt beverages~~[,]~~ **or**  
 21           **cannabis-infused beverages**, microbreweries, distillers, **manufacturers of**  
 22           **cannabis-infused beverages permitted by the Department for Public Health**, and  
 23           direct shipper licensees shall pay and report the tax levied by this section on or  
 24           before the twentieth day of the calendar month next succeeding the month in which  
 25           possession or title of the distilled spirits, wine,~~[or]~~ malt beverages, **or cannabis-**  
 26           **infused beverages** is transferred from the wholesaler or distributor to retailers, or by  
 27           microbreweries, distillers, **manufacturers of cannabis-infused beverages permitted**

1 by the Department for Public Health, or direct shipper licensees to consumers in  
 2 this state, in accordance with administrative~~[rules and]~~ regulations promulgated  
 3 under KRS Chapter 13A~~[of the Department of Revenue]~~ designed reasonably to  
 4 protect the revenues of the Commonwealth.

5 (3) Gross receipts from sales at wholesale or wholesale sales shall not include the  
 6 following sales:

7 (a) Sales made between wholesalers, ~~[or]~~ between distributors, or between  
 8 manufacturers of cannabis-infused beverages permitted by the Department  
 9 for Public Health;

10 (b) Sales from the first fifty thousand (50,000) gallons of wine produced by a  
 11 small farm winery in a calendar year made by:

12 1. The small farm winery; or

13 2. A wholesaler of that wine produced by the small farm winery; and

14 (c) Sales made between a direct shipper licensee and a consumer located outside  
 15 of Kentucky.

16 ➔SECTION 25. A NEW SECTION OF KRS CHAPTER 246 IS CREATED TO  
 17 READ AS FOLLOWS:

18 *The General Assembly declares:*

19 *(1) Alternative fuels are vitally important to the Commonwealth because the*  
 20 *alternative fuel may:*

21 *(a) Reduce pollution;*

22 *(b) Improve energy security; and*

23 *(c) Support the Commonwealth's economy;*

24 *(2) Alternative fuels derived from resources within the Commonwealth, including:*

25 *(a) Ethanol derived from corn;*

26 *(b) Biodiesel derived from soybean oil;*

27 *(c) Waste streams;*

- 1        (d) Renewable or zero emissions energy sources;  
2        (e) Gaseous carbon-18 oxides; and  
3        (f) Alternative jet fuels generated by agricultural production facilities in the  
4                Commonwealth;  
5        reduce undesirable impacts to the environment and provide additional demand  
6        for those resources;
- 7        (3) Environmental benefits resulting from alternative fuels include:  
8                (a) Reduced harmful emissions, including carbon dioxide, carbon monoxide,  
9                and sulfur; and  
10                (b) Improved air quality by reducing ozone-forming emissions;
- 11        (4) Alternative fuels may:  
12                (a) Stimulate the economy;  
13                (b) Create jobs across the Commonwealth;  
14                (c) Diversify the Commonwealth's energy supply; and  
15                (d) Reduce dependence on imported fuels;  
16        through the development of a production network in the Commonwealth for  
17        consumers in the Commonwealth;
- 18        (5) There are various other benefits which may be achieved, including improved:  
19                (a) Performance of vehicles that results in a reduction of operation costs for the  
20                citizens of the Commonwealth; and  
21                (b) Transportation systems, including the creation of a sustainable supply; and
- 22        (6) Its commitment to:  
23                (a) A full evaluation of the Commonwealth's jet fuel tax policy positions; and  
24                (b) Furthering research and development to build an alternative fuels policy  
25                that may be declared the best in the nation.

26        ➔SECTION 26. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO  
27        READ AS FOLLOWS:

1 (1) As used in this section:

2 (a) "Entertainment event":

- 3 1. Means a live performance or exhibition of musical, theatrical,  
4 cultural, culinary, or other artistic presentation; and  
5 2. Does not include sporting events or tournaments;

6 (b) "Facility operator" means a person who owns or operates a venue;

7 (c) "Qualifying attraction" means a series of entertainment events which is:

- 8 1. Held at a venue over a duration of at least two (2) consecutive days;  
9 2. Hosted by a sponsoring entity pursuant to an agreement with a facility  
10 operator that authorizes the sponsoring entity to conduct one (1) or  
11 more series of entertainment events annually during at least five (5)  
12 consecutive years; and  
13 3. Open to the public upon purchase of tickets, with attendance totaling  
14 at least sixty thousand (60,000) admissions over the duration of each  
15 series of entertainment events;

16 (d) "Sponsoring entity" means the person hosting a qualifying attraction; and

17 (e) "Venue" means:

- 18 1. Public property located in a consolidated local government or an  
19 urban-county government which is owned, operated, or controlled by  
20 the consolidated local government or urban-county government;  
21 2. A park located in a consolidated local government that is:  
22 a. Open to the general public; and  
23 b. Owned, operated, or controlled by any nonprofit corporation  
24 established under KRS 273.161 to 273.390;  
25 3. Property located in a consolidated local government or an urban-  
26 county government that is owned, operated, or controlled by a public  
27 university; or

1           4. Privately owned property located in a consolidated local government  
2           or an urban-county government that is suitable for hosting  
3           entertainment events and qualifying attractions.

4           (2) Notwithstanding KRS 134.580 and 139.770:

5           (a) A sponsoring entity and facility operator shall be granted a sales tax  
6           incentive totaling fifty percent (50%) of the Kentucky sales tax generated by  
7           the sale of admissions to a qualifying attraction held at a venue, and the  
8           sales of tangible personal property and services at the qualifying attraction,  
9           including but not limited to the sale of food and beverage concessions,  
10           souvenirs, camping, and parking;

11           (b) The amount of the sales tax incentive authorized in paragraph (a) of this  
12           subsection shall be allocated as follows:

13           1. Fifty percent (50%) shall be paid to the facility operator and utilized to  
14           support operations and maintenance at the venue; and

15           2. Fifty percent (50%) shall be paid to the sponsoring entity of the  
16           qualifying attraction from which the sales taxes were generated;

17           (c) Only one (1) incentive request shall be made for each qualifying attraction  
18           each year;

19           (d) The sponsoring entity and facility operator shall have no obligation to  
20           refund or otherwise return any amount of the sales tax incentive to the  
21           persons from whom the sales tax was collected;

22           (e) The sales tax incentive shall be reduced by the vendor compensation  
23           allowed under KRS 139.570; and

24           (f) Interest shall not be allowed or paid on any sales tax incentive payment  
25           made under this section.

26           (3) The department shall accept initial applications for sales tax incentives under this  
27           section for qualifying attractions held on or after July 1, 2025.

- 1 (4) To be eligible for a sales tax incentive under this section, the sponsoring entity  
2 shall file an initial application with the department, which:
- 3 (a) Includes sufficient information regarding the qualifying attraction to  
4 demonstrate whether it qualifies for the sales tax incentive; and
- 5 (b) Is filed at least sixty (60) days prior to the date of the first entertainment  
6 event constituting the qualifying attraction.
- 7 (5) Within thirty (30) days of receipt of the initial application, the department shall  
8 notify the sponsoring entity of its preliminary approval or denial of the qualifying  
9 attraction.
- 10 (6) If the initial application is denied, the department shall provide the reason for the  
11 denial.
- 12 (7) After approval of its initial application and the completion of the qualifying  
13 attraction, a sponsoring entity shall apply for a sales tax incentive no earlier than  
14 thirty (30) days following the end of the month during which sales taxes that were  
15 generated from the qualifying attraction are collected. The application may  
16 aggregate eligible sales taxes from previous months if the events comprising the  
17 qualifying attraction were held in more than one (1) month.
- 18 (8) The department shall review each application for a sales tax incentive and  
19 determine if it meets the requirements of this section, pending the verification of  
20 required attendance.
- 21 (9) In determining eligibility for a sales tax incentive authorized under this section,  
22 the department shall waive the duration and attendance requirements listed in  
23 subsection (1)(c)1. and 3. of this section if the person requesting an incentive  
24 demonstrates that any delays, cancellations, or postponements were due to  
25 inclement weather or other extraordinary events beyond the control of the parties  
26 involved and that the weather or other extraordinary events rendered the  
27 satisfaction of the requirement impossible.

- 1 (10) Both the initial application and the sales tax incentive application shall be in the  
2 form prescribed by the department through the promulgation of an administrative  
3 regulation in accordance with KRS Chapter 13A.
- 4 (11) The department shall verify the amount of sales tax incentive and pay the  
5 allocations determined to be due in accordance with subsection (2)(b) of this  
6 section within forty-five (45) days of receipt of the later of:
- 7 (a) The application submitted under subsection (7) of this section; or  
8 (b) All necessary supporting information required by the department to  
9 determine that the sponsoring entity is eligible for the incentive.
- 10 (12) (a) Prior to November 1, 2026, and continuing each November 1 thereafter to  
11 November 1, 2035, the department shall provide an annual report detailing  
12 information related to each qualifying attraction receiving incentives during  
13 the fiscal year concluding on June 30 of the reporting period.
- 14 (b) The department shall include the following information in the report:
- 15 1. The name of the qualifying attraction;  
16 2. The venue where the qualifying attraction was held;  
17 3. The name of the facility operator;  
18 4. The name of the sponsoring entity;  
19 5. The duration of the qualifying attraction and the number of  
20 admissions over that duration; and  
21 6. The amount of incentive paid to the facility operator; and  
22 7. The amount of incentive paid to the sponsoring entity.
- 23 (c) The information required to be reported under this subsection shall not be  
24 considered confidential taxpayer information and shall not be subject to  
25 KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes  
26 prohibiting disclosure or reporting of information.
- 27 (13) The provisions of this section shall expire on June 30, 2035, and a qualifying



1 attraction held after June 30, 2035, shall not be eligible for the incentives  
2 authorized in this section.

3 (14) The General Assembly is committed to the research and development of tourism  
4 policies, including the aspiration to hold other entertainment events across the  
5 Commonwealth and especially in rural Kentucky.

6 ➔Section 27. KRS 131.190 is amended to read as follows:

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

17 (2) The prohibition established by subsection (1) of this section shall not extend to:

18 (a) Information required in prosecutions for making false reports or returns of  
19 property for taxation, or any other infraction of the tax laws;

20 (b) Any matter properly entered upon any assessment record, or in any way made  
21 a matter of public record;

22 (c) Furnishing any taxpayer or his or her properly authorized agent with  
23 information respecting his or her own return;

24 (d) Testimony provided by the commissioner or any employee of the department  
25 in any court, or the introduction as evidence of returns or reports filed with the  
26 department, in an action for violation of state or federal tax laws or in any  
27 action challenging state or federal tax laws;

- 1 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or  
2 energy resources assessed under KRS 132.820, or owners of surface land  
3 under which the unmined minerals lie, factual information about the owner's  
4 property derived from third-party returns filed for that owner's property, under  
5 the provisions of KRS 132.820, that is used to determine the owner's  
6 assessment. This information shall be provided to the owner on a confidential  
7 basis, and the owner shall be subject to the penalties provided in KRS  
8 131.990(2). The third-party filer shall be given prior notice of any disclosure  
9 of information to the owner that was provided by the third-party filer;
- 10 (f) Providing to a third-party purchaser pursuant to an order entered in a  
11 foreclosure action filed in a court of competent jurisdiction, factual  
12 information related to the owner or lessee of coal, oil, gas reserves, or any  
13 other mineral resources assessed under KRS 132.820. The department may  
14 promulgate an administrative regulation establishing a fee schedule for the  
15 provision of the information described in this paragraph. Any fee imposed  
16 shall not exceed the greater of the actual cost of providing the information or  
17 ten dollars (\$10);
- 18 (g) Providing information to a licensing agency, the Transportation Cabinet, or  
19 the Kentucky Supreme Court under KRS 131.1817;
- 20 (h) Statistics of gasoline and special fuels gallonage reported to the department  
21 under KRS 138.210 to 138.448;
- 22 (i) Providing any utility gross receipts license tax return information that is  
23 necessary to administer the provisions of KRS 160.613 to 160.617 to  
24 applicable school districts on a confidential basis;
- 25 (j) Providing documents, data, or other information to a third party pursuant to an  
26 order issued by a court of competent jurisdiction;
- 27 (k) Publishing administrative writings on its official website in accordance with

- 1 KRS 131.020(1)(b); or
- 2 (l) Providing information to the Legislative Research Commission under:
- 3 1. KRS 139.519 for purposes of the sales and use tax refund on building
- 4 materials used for disaster recovery;
- 5 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 6 3. KRS 141.437 for purposes of the ENERGY STAR home and the
- 7 ENERGY STAR manufactured home credits;
- 8 4. KRS 141.383 for purposes of the film industry incentives;
- 9 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization
- 10 credit~~[tax credits]~~ and the job assessment fees;
- 11 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 12 7. KRS 141.396 for purposes of the angel investor~~[tax]~~ credit;
- 13 8. KRS 141.389 for purposes of the distilled spirits credit;
- 14 9. KRS 141.408 for purposes of the inventory credit;
- 15 10. KRS 141.390 for purposes of the recycling and composting
- 16 credits~~[credit]~~;
- 17 11. KRS 141.3841 for purposes of the selling farmer~~[tax]~~ credit;
- 18 12. KRS 141.4231 for purposes of the renewable chemical production~~[tax]~~
- 19 credit;
- 20 13. KRS 141.524 for purposes of the Education Opportunity Account
- 21 Program~~[tax]~~ credit;
- 22 14. KRS 141.398 for purposes of the development area~~[tax]~~ credit;
- 23 15. KRS 139.516 for~~[the]~~ purposes of the sales and use tax exemptions
- 24 for~~[exemption on]~~ the commercial mining of cryptocurrency;
- 25 16. KRS 141.419 for purposes of the decontamination~~[tax]~~ credit;
- 26 17. KRS 141.391 for purposes of the qualified broadband investment~~[tax]~~
- 27 credit;~~[and]~~

1           18. KRS 139.499 for purposes of the sales and use tax  
2           exemptions~~[exemption]~~ for a qualified data center project; and

3           19. Section 26 of this Act for purposes of the sales and use tax incentive  
4           for a qualifying attraction.

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

10      (4) Access to and inspection of information received from the Internal Revenue Service  
11      is for department use only, and is restricted to tax administration purposes.  
12      Information received from the Internal Revenue Service shall not be made available  
13      to any other agency of state government, or any county, city, or other state, and  
14      shall not be inspected intentionally and without authorization by any present  
15      secretary or employee of the Finance and Administration Cabinet, commissioner or  
16      employee of the department, or any other person.

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

22      (6) Notwithstanding any provision of law to the contrary, beginning with mine-map  
23      submissions for the 1989 tax year, the department may make public or divulge only  
24      those portions of mine maps submitted by taxpayers to the department pursuant to  
25      KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-  
26      out parcel areas. These electronic maps shall not be relied upon to determine actual  
27      boundaries of mined-out parcel areas. Property boundaries contained in mine maps

1 required under KRS Chapters 350 and 352 shall not be construed to constitute land  
 2 surveying or boundary surveys as defined by KRS 322.010 and any administrative  
 3 regulations promulgated thereto.

4 ➔Section 28. KRS 154.60-040 is amended to read as follows:

5 (1) As used in this section:

6 (a) "Actively engaged farmer" means a person who makes a significant  
 7 contribution of:

8 1. Land, capital, and equipment to a farming operation; and

9 2. Active personal labor or management to a farming operation;

10 (b) 1. "Agricultural assets" means:

11 a. Agricultural land which has been appraised by an individual  
 12 certified by the Real Estate Appraisers Board created under KRS  
 13 324A.015; and

14 b. Buildings, facilities, machinery, equipment, agricultural products,  
 15 or horticultural products, if:

16 i. Owned by the same ~~seller~~[selling farmer] owning the  
 17 agricultural land sold to an actively engaged farmer or[a]  
 18 beginning farmer;

19 ii. Purchased at the same time and in the same transaction with  
 20 the agricultural land; and

21 iii. Purchased with the intent to be used on the purchased  
 22 agricultural land.

23 2. "Agricultural assets" does not mean:

24 a. A personal residence or any other residential structures;~~and~~

25 b. Any agricultural assets that have been previously included in an  
 26 approved application for the Kentucky selling farmer tax credit;

27 and

1                                    **c. Any land which has, is, or will be used in the production of solar**  
 2                                    **power for personal or commercial purposes;**

3            **(c)**~~(b)~~ "Agricultural land" means:

4                    1. Any land located entirely in Kentucky that is zoned or permitted for  
 5                    farming, if the jurisdiction where the land is located has enacted an  
 6                    ordinance for zoning or permitting; and

7                    2. a. Is a tract of land of at least ten (10) contiguous acres in area for a  
 8                    farming operation for agricultural products; or

9                    b. Is a tract of land of at least five (5) contiguous acres in area for a  
 10                    farming operation for aquaculture or horticultural products;

11                    owned by the **seller**~~(selling farmer)~~ prior to the sale;

12            **(d)**~~(e)~~ "Agricultural products" means:

13                    1. Livestock or livestock products;

14                    2. Poultry or poultry products;

15                    3. Milk or milk products; or

16                    4. Field crops and other crops, including timber if approved by the  
 17                    authority;

18            **(e)**~~(d)~~ "Aquaculture" means the farming of fish, crustaceans, mollusks, aquatic  
 19                    plants, algae, or other similar organisms;

20            **(f) "Beginning farmer" means an actively engaged farmer who has not**  
 21                    **previously held an ownership interest in agricultural land used for a**  
 22                    **farming operation for a period exceeding twenty (20) years prior to entering**  
 23                    **into an agreement to purchase agricultural assets from a seller;**

24            **(g) "Buyer" means an actively engaged farmer or beginning farmer who**  
 25                    **purchases agricultural assets from a seller;**

26            **(h) "Department" means the Department of Revenue organized under KRS**  
 27                    **131.020;**

1 ~~(i)(e)~~ "Farm product" means aquaculture, agricultural products, or  
2 horticultural products;

3 ~~(j)(f)~~ 1. "Farming operation" means the management and operation of  
4 agricultural assets for the purpose of pursuing a profitable commercial  
5 business venture to produce agricultural products, horticultural products,  
6 or both for sale.

7 2. "Farming operation" does not mean any:

8 a. ~~— Hobby farm, as determined by the Internal Revenue Service;~~

9 b. ~~—~~ Nonprofit venture;

10 ~~b.(e)~~ Farm used primarily for storing agricultural products or  
11 horticultural products; or

12 ~~c.(d)~~ Farm used to grow or raise agricultural products or horticultural  
13 products primarily for use by the immediate family members or  
14 owners of the agricultural assets;

15 ~~(k)(g)~~ "Horticultural products" means orchards, fruits, vegetables, nuts,  
16 flowers, or ornamental plants; ~~and~~

17 ~~(l)(h)~~ "Immediate family member" means any of the following in relation to  
18 any owner or spouse of the owner of the agricultural assets:

19 1. Parent or grandparent;

20 2. Children or their spouses; or

21 3. Siblings or their spouses;

22 **(m) "Seller" means any individual or entity subject to the tax imposed by KRS**  
23 **141.020 or 141.040 and 141.0401; and**

24 **(n) "Significant contribution" has the same meaning as in 7 C.F.R. sec.**  
25 **1400.3.**

26 (2) Any incentive offered to an eligible company under the Selling Farmer Tax Credit  
27 Program shall be negotiated by Cabinet for Economic Development officials and

1 shall be subject to approval by the authority.

2 (3) The purpose of the Selling Farmer Tax Credit Program is to promote the continued  
3 use of agricultural land in Kentucky for farming purposes by granting a tax credit to  
4 a ~~seller~~~~[selling farmer]~~ who agrees to sell agricultural assets to **an actively engaged**  
5 **farmer or** a beginning farmer.

6 (4) **A seller**~~[Selling farmers]~~ wanting to sell agricultural assets may be eligible for a tax  
7 credit up to five percent (5%) of the selling price of qualifying agricultural assets,  
8 subject to:

9 (a) A twenty-five thousand dollar (\$25,000) cap for each taxable year of the  
10 **seller when agricultural assets are sold to an actively engaged farmer who**  
11 **does not meet the definition of a beginning**~~[selling]~~ farmer;

12 (b) **A fifty thousand dollar (\$50,000) cap for each taxable year of the seller**  
13 **when agricultural assets are sold to a beginning farmer;**

14 (c) A one hundred thousand dollar (\$100,000) lifetime cap for each ~~seller~~ selling  
15 **to an actively engaged** farmer;~~[and]~~

16 (d) **A two hundred thousand dollar (\$200,000) lifetime cap for each seller**  
17 **selling to a beginning farmer; and**

18 (e)~~(e)]~~ A proration by the authority based on the overall cap shared between the  
19 Small Business Tax Credit Program and the Selling Farmer Tax Credit  
20 Program cap of three million dollars (\$3,000,000) under KRS 154.60-020.

21 (5) The tax credit allowed in subsection (4) of this section may be claimed under KRS  
22 141.3841.

23 (6) In order to be eligible to receive approval for a tax credit, **the seller**~~[a selling~~  
24 ~~farmer]~~ shall, at a minimum:

25 (a) 1. a. Be registered with the Kentucky Secretary of State; and  
26 b. Be in good standing with the Kentucky Secretary of State; or  
27 2. If not required to be registered with the Kentucky Secretary of State, be



- 1 a taxpayer~~[resident]~~ of Kentucky;
- 2 (b) Prior to a sale of agricultural assets, be a small business with fifty (50) or  
3 fewer full-time employees and be the sole legal owner of agricultural assets  
4 sold to an actively engaged farmer or a beginning farmer;
- 5 (c) Not be a farm equipment dealer, livestock dealer, or similar entity primarily  
6 engaged in the business of selling agricultural assets for profit and not  
7 engaged in farming as a primary business activity;
- 8 (d) Not be a bank or any other similar lending or financial institution;
- 9 (e) Not be:
- 10 1. An owner, partner, member, shareholder, or trustee;
- 11 2. A spouse of an owner, partner, member, shareholder, or trustee; or
- 12 3. An immediate family member of any of the owners, partners, members,  
13 shareholders, or trustees;
- 14 of the actively engaged farmer or beginning farmer to whom the  
15 seller~~[selling farmer]~~ is seeking to sell agricultural assets;
- 16 (f) 1. Demonstrate management and operation of real and personal property  
17 for the production of a farm product;
- 18 2. Execute and effectuate a purchase contract to sell agricultural land with  
19 an actively engaged farmer or a beginning farmer for an amount  
20 evidenced by an appraisal; and
- 21 (g) Sell, convey, and transfer ownership of related agricultural assets to an  
22 actively engaged farmer or a beginning farmer.
- 23 (7) In order for the seller~~[selling farmer]~~ to qualify for the tax credit, an actively  
24 engaged farmer or a beginning farmer shall, at a minimum:
- 25 (a) 1. a. Be registered with the Kentucky Secretary of State; and  
26 b. Be in good standing with the Kentucky Secretary of State; or  
27 2. If not required to be registered with the Kentucky Secretary of State, be

- 1 a resident of Kentucky;
- 2 (b) Possess all licenses, registrations, and experience needed to legally operate a
- 3 farming operation within the jurisdiction for the agricultural land purchased
- 4 from a ***the seller***~~[selling farmer]~~;
- 5 (c)~~[-~~Not previously have held an ownership interest in agricultural land used for a
- 6 farming operation for a period exceeding ten (10) years prior to entering into
- 7 an agreement to purchase agricultural assets from a selling farmer;
- 8 ~~(d)]~~ Not have an ownership interest in any of the agricultural assets included in the
- 9 transaction with the ***seller***~~[selling farmer]~~; and
- 10 ~~(d)]~~~~(e)]~~ Provide a majority of the management, and materially participate in the
- 11 operation of a for-profit farming operation located in Kentucky and purchased
- 12 from a ***seller***~~[selling farmer]~~, with the intent to continue a for-profit farming
- 13 operation on the purchased agricultural land for a minimum of ***ten (10)***~~[five~~
- 14 ~~(5)]~~ years after the sale date.
- 15 (8) The ***seller***~~[selling farmer]~~ shall submit an application~~[- after consummation of the~~
- 16 ~~sale, transfer of title, and conveyance of agricultural assets together]~~ with all
- 17 information necessary for the authority to determine eligibility for the tax credit.
- 18 (9) ***The authority may consider applications prior to the consummation of the sale,***
- 19 ***transfer of title, and conveyance of agricultural assets.***
- 20 ***(10)*** An application for the selling farmer tax credit shall contain, at a minimum,
- 21 information about the:
- 22 (a) ***Seller and buyer***~~[Selling farmer and purchasing beginning farmer eligibility]~~;
- 23 (b) Purchase contract and closing statement;
- 24 (c) Documentation, such as a deed, title conveyance for the transfer of assets,
- 25 including verification of Kentucky residency ***of the buyer***; and
- 26 (d) Any other information the authority may require to determine eligibility for
- 27 the credit.

1 ~~(11)~~<sup>(10)</sup> For each approved application, the authority shall transmit to the department ~~of Revenue~~ sufficient information about the seller~~selling farmer~~ to ensure  
2 compliance with this section and KRS 141.3841, including the amount of approved  
3 tax credit allowed to the seller~~selling farmer~~.

4  
5 **(12) If the buyer fails to meet the requirements of this section, the department shall**  
6 **assess a penalty against the buyer in an amount equal to the tax credit awarded to**  
7 **the seller. The department may assess an additional penalty in excess of the tax**  
8 **credit awarded.**

9 **(13) (a) The selling farmer tax credit shall sunset on December 31, 2031, and new**  
10 **applications shall not be accepted or considered on or after December 31,**  
11 **2031.**

12 **(b) All outstanding applications with preliminary or final approval under this**  
13 **subchapter as of December 31, 2031, shall continue to be governed by the**  
14 **provisions of this subchapter.**

15 ~~(11) Beginning January 1, 2020, the authority may approve selling farmer tax credits.]~~

16 ➔Section 29. KRS 141.3841 is amended to read as follows:

17 (1) The selling farmer~~farmers~~ tax credit permitted by KRS 154.60-040:

18 (a) Shall be nonrefundable and nontransferable; and

19 (b) May be claimed against the taxes imposed in KRS 141.020 or 141.040 and  
20 141.0401, with the ordering of the credit as provided in KRS 141.0205.

21 (2) (a) The maximum amount of credit that may be claimed by a seller~~selling~~  
22 ~~farmer~~ in each taxable year is limited to:

23 1. No more than the total amount of credit approved by the Kentucky  
24 Economic Development Finance Authority;

25 2. Twenty-five thousand dollars (\$25,000) **cap for each taxable year of**  
26 **the seller when agricultural assets are sold to an actively engaged**  
27 **farmer who does not meet the definition of a beginning farmer;**

1            3. Fifty thousand dollars (\$50,000) cap for each taxable year of the seller  
 2            when agricultural assets are sold to a beginning farmer;

3            4. One hundred thousand dollars (\$100,000) lifetime cap for each seller  
 4            selling to an actively engaged farmer; and

5            5. Two hundred thousand dollars (\$200,000) lifetime cap for each seller  
 6            selling to a beginning farmer~~[in any taxable year; and~~

7            ~~3. No more than one hundred thousand dollars (\$100,000) total tax credit~~  
 8            ~~over the lifetime of the selling farmer].~~

9            (b) The credit shall be first claimed on the tax return for the taxable year during  
 10            which the credit was approved.

11            (c) Any unused credit in a taxable year may be carried forward for up to five (5)  
 12            taxable years and, if not utilized within the five (5) year period, shall be lost.

13            (3) In order for the General Assembly to evaluate the fulfillment of the purpose stated  
 14            in KRS 154.60-040, the department shall provide the following information, on a  
 15            cumulative basis, for each seller~~[selling farmer]~~, for each taxable year:

16            (a) The location, by county, of the agricultural assets sold to an actively engaged  
 17            farmer or a beginning farmer and approved for a tax credit under KRS  
 18            154.60-040;

19            (b) The total amount of tax credit approved by the Kentucky Economic  
 20            Development Finance Authority for each seller~~[selling farmer]~~;

21            (c) The amount of tax credit claimed for each seller~~[selling farmer]~~ in each  
 22            taxable year; and

23            (d) 1. In the case of all taxpayers other than corporations, based on ranges of  
 24            adjusted gross income of no larger than five thousand dollars (\$5,000)  
 25            for the taxable year, the total amount of tax credits claimed and the  
 26            number of returns claiming a tax credit for each adjusted gross income  
 27            range; and

1           2. In the case of all corporations, based on ranges of net income no larger  
2           than fifty thousand dollars (\$50,000) for the taxable year, the total  
3           amount of tax credit claimed and the number of returns claiming a tax  
4           credit for each net income range.

5 (4) The report required by subsection (3) of this section shall be submitted to the  
6 Interim Joint Committee on Appropriations and Revenue beginning no later than  
7 November 1, 2021, and no later than each November 1 thereafter, as long as the  
8 credit is claimed on any return processed by the department.

9           ➔Section 30. KRS 141.010 is amended to read as follows:

10 As used in this chapter, for taxable years beginning on or after January 1, 2018:

11 (1) "Adjusted gross income," in the case of taxpayers other than corporations, means  
12 the amount calculated in KRS 141.019;

13 (2) "Captive real estate investment trust" means a real estate investment trust as defined  
14 in Section 856 of the Internal Revenue Code that meets the following requirements:

15 (a) 1. The shares or other ownership interests of the real estate investment  
16 trust are not regularly traded on an established securities market; or

17 2. The real estate investment trust does not have enough shareholders or  
18 owners to be required to register with the Securities and Exchange  
19 Commission;

20 (b) 1. The maximum amount of stock or other ownership interest that is owned  
21 or constructively owned by a corporation equals or exceeds:

22 a. Twenty-five percent (25%), if the corporation does not occupy  
23 property owned, constructively owned, or controlled by the real  
24 estate investment trust; or

25 b. Ten percent (10%), if the corporation occupies property owned,  
26 constructively owned, or controlled by the real estate investment  
27 trust.

- 1           The total ownership interest of a corporation shall be determined by  
2           aggregating all interests owned or constructively owned by a  
3           corporation; and
- 4           2. For the purposes of this paragraph:
- 5           a. "Corporation" means a corporation taxable under KRS 141.040,  
6           and includes an affiliated group as defined in KRS 141.200, that is  
7           required to file a consolidated return pursuant to KRS 141.200;  
8           and
- 9           b. "Owned or constructively owned" means owning shares or having  
10           an ownership interest in the real estate investment trust, or owning  
11           an interest in an entity that owns shares or has an ownership  
12           interest in the real estate investment trust. Constructive ownership  
13           shall be determined by looking across multiple layers of a  
14           multilayer pass-through structure; and
- 15          (c) The real estate investment trust is not owned by another real estate investment  
16           trust;
- 17          (3) "Commissioner" means the commissioner of the department;
- 18          (4) "Corporation" has the same meaning as in Section 7701(a)(3) of the Internal  
19           Revenue Code;
- 20          (5) "Critical infrastructure" means property and equipment owned or used by  
21           communications networks, electric generation, transmission or distribution systems,  
22           gas distribution systems, or water or wastewater pipelines that service multiple  
23           customers or citizens, including but not limited to real and personal property such  
24           as buildings, offices, lines, poles, pipes, structures, or equipment;
- 25          (6) "Declared state disaster or emergency" means a disaster or emergency event for  
26           which:
- 27           (a) The Governor has declared a state of emergency pursuant to KRS 39A.100; or

- 1 (b) A presidential declaration of a federal major disaster or emergency has been  
2 issued;
- 3 (7) "Department" means the Department of Revenue;
- 4 (8) "Dependent" means those persons defined as dependents in the Internal Revenue  
5 Code;
- 6 (9) "Disaster or emergency-related work" means repairing, renovating, installing,  
7 building, or rendering services that are essential to the restoration of critical  
8 infrastructure that has been damaged, impaired, or destroyed by a declared state  
9 disaster or emergency;
- 10 (10) "Disaster response business" means any entity:
- 11 (a) That has no presence in the state and conducts no business in the state, except  
12 for disaster or emergency-related work during a disaster response period;
- 13 (b) Whose services are requested by a registered business or by a state or local  
14 government for purposes of performing disaster or emergency-related work in  
15 the state during a disaster response period; and
- 16 (c) That has no registrations, tax filings, or nexus in this state other than disaster  
17 or emergency-related work during the calendar year immediately preceding  
18 the declared state disaster or emergency;
- 19 (11) "Disaster response employee" means an employee who does not work or reside in  
20 the state, except for disaster or emergency-related work during the disaster response  
21 period;
- 22 (12) "Disaster response period" means a period that begins ten (10) days prior to the first  
23 day of the Governor's declaration under KRS 39A.100, or the President's  
24 declaration of a federal major disaster or emergency, whichever occurs first, and  
25 that extends thirty (30) calendar days after the declared state disaster or emergency;
- 26 (13) "Doing business in this state" includes but is not limited to:
- 27 (a) Being organized under the laws of this state;

- 1 (b) Having a commercial domicile in this state;
- 2 (c) Owning or leasing property in this state;
- 3 (d) Having one (1) or more individuals performing services in this state;
- 4 (e) Maintaining an interest in a pass-through entity doing business in this state;
- 5 (f) Deriving income from or attributable to sources within this state, including
- 6 deriving income directly or indirectly from a trust doing business in this state,
- 7 or deriving income directly or indirectly from a single-member limited
- 8 liability company that is doing business in this state and is disregarded as an
- 9 entity separate from its single member for federal income tax purposes; or
- 10 (g) Directing activities at Kentucky customers for the purpose of selling them
- 11 goods or services.

12 Nothing in this subsection shall be interpreted in a manner that goes beyond the

13 limitations imposed and protections provided by the United States Constitution or

14 Pub. L. No. 86-272;

15 (14) "Employee" has the same meaning as in Section 3401(c) of the Internal Revenue

16 Code;

17 (15) "Employer" has the same meaning as in Section 3401(d) of the Internal Revenue

18 Code;

19 (16) "Fiduciary" has the same meaning as in Section 7701(a)(6) of the Internal Revenue

20 Code;

21 (17) "Financial institution" means:

22 (a) A national bank organized as a body corporate and existing or in the process

23 of organizing as a national bank association pursuant to the provisions of the

24 National Bank Act, 12 U.S.C. secs. 21 et seq., in effect on December 31,

25 1997, exclusive of any amendments made subsequent to that date;

26 (b) Any bank or trust company incorporated or organized under the laws of any

27 state, except a banker's bank organized under KRS 286.3-135;



- 1 (c) Any corporation organized under the provisions of 12 U.S.C. secs. 611 to 631,  
2 in effect on December 31, 1997, exclusive of any amendments made  
3 subsequent to that date, or any corporation organized after December 31,  
4 1997, that meets the requirements of 12 U.S.C. secs. 611 to 631, in effect on  
5 December 31, 1997; or
- 6 (d) Any agency or branch of a foreign depository as defined in 12 U.S.C. sec.  
7 3101, in effect on December 31, 1997, exclusive of any amendments made  
8 subsequent to that date, or any agency or branch of a foreign depository  
9 established after December 31, 1997, that meets the requirements of 12 U.S.C.  
10 sec. 3101 in effect on December 31, 1997;
- 11 (18) "Fiscal year" has the same meaning as in Section 7701(a)(24) of the Internal  
12 Revenue Code;
- 13 (19) "Gross income":
- 14 (a) In the case of taxpayers other than corporations, has the same meaning as in  
15 Section 61 of the Internal Revenue Code; and
- 16 (b) In the case of corporations, means the amount calculated in KRS 141.039;
- 17 (20) "Individual" means a natural person;
- 18 (21) "Internal Revenue Code" means for taxable years beginning on or after January 1,  
19 2025~~[2024]~~, the Internal Revenue Code in effect on December 31, 2024~~[2023]~~,  
20 exclusive of any amendments made subsequent to that date, other than amendments  
21 that extend provisions in effect on December 31, 2024~~[2023]~~, that would otherwise  
22 terminate;
- 23 (22) "Limited liability pass-through entity" means any pass-through entity that affords  
24 any of its partners, members, shareholders, or owners, through function of the laws  
25 of this state or laws recognized by this state, protection from general liability for  
26 actions of the entity;
- 27 (23) "Modified gross income" means the greater of:

- 1 (a) Adjusted gross income as defined in 26 U.S.C. sec. 62, including any  
2 amendments in effect on December 31 of the taxable year, and adjusted as  
3 follows:
- 4 1. Include interest income derived from obligations of sister states and  
5 political subdivisions thereof; and
  - 6 2. Include lump-sum pension distributions taxed under the special  
7 transition rules of Pub. L. No. 104-188, sec. 1401(c)(2); or
- 8 (b) Adjusted gross income as defined in subsection (1) of this section and  
9 adjusted to include lump-sum pension distributions taxed under the special  
10 transition rules of Pub. L. No. 104-188, sec. 1401(c)(2);
- 11 (24) "Net income":
- 12 (a) In the case of taxpayers other than corporations, means the amount calculated  
13 in KRS 141.019; and
  - 14 (b) In the case of corporations, means the amount calculated in KRS 141.039;
- 15 (25) "Nonresident" means any individual not a resident of this state;
- 16 (26) "Number of withholding exemptions claimed" means the number of withholding  
17 exemptions claimed in a withholding exemption certificate in effect under KRS  
18 141.325, except that if no such certificate is in effect, the number of withholding  
19 exemptions claimed shall be considered to be zero;
- 20 (27) "Part-year resident" means any individual that has established or abandoned  
21 Kentucky residency during the calendar year;
- 22 (28) "Pass-through entity" means any partnership, S corporation, limited liability  
23 company, limited liability partnership, limited partnership, or similar entity  
24 recognized by the laws of this state that is not taxed for federal purposes at the  
25 entity level, but instead passes to each partner, member, shareholder, or owner their  
26 proportionate share of income, deductions, gains, losses, credits, and any other  
27 similar attributes;

- 1 (29) "Payroll period" has the same meaning as in Section 3401(b) of the Internal  
2 Revenue Code;
- 3 (30) "Person" has the same meaning as in Section 7701(a)(1) of the Internal Revenue  
4 Code;
- 5 (31) "Registered business" means a business entity that owns or otherwise possesses  
6 critical infrastructure and that is registered to do business in the state prior to the  
7 declared state disaster or emergency;
- 8 (32) "Resident" means an individual domiciled within this state or an individual who is  
9 not domiciled in this state, but maintains a place of abode in this state and spends in  
10 the aggregate more than one hundred eighty-three (183) days of the taxable year in  
11 this state;
- 12 (33) "S corporation" has the same meaning as in Section 1361(a) of the Internal Revenue  
13 Code;
- 14 (34) "State" means a state of the United States, the District of Columbia, the  
15 Commonwealth of Puerto Rico, or any territory or possession of the United States;
- 16 (35) "Taxable net income":
- 17 (a) In the case of corporations that are taxable in this state, means "net income" as  
18 defined in subsection (24) of this section;
- 19 (b) In the case of corporations that are taxable in this state and taxable in another  
20 state, means "net income" as defined in subsection (24) of this section and as  
21 allocated and apportioned under KRS 141.120;
- 22 (c) For homeowners' associations as defined in Section 528(c) of the Internal  
23 Revenue Code, means "taxable income" as defined in Section 528(d) of the  
24 Internal Revenue Code. Notwithstanding the provisions of subsection (21) of  
25 this section, the Internal Revenue Code sections referred to in this paragraph  
26 shall be those code sections in effect for the applicable tax year; and
- 27 (d) For a corporation that meets the requirements established under Section 856

1 of the Internal Revenue Code to be a real estate investment trust, means "real  
2 estate investment trust taxable income" as defined in Section 857(b)(2) of the  
3 Internal Revenue Code, except that a captive real estate investment trust shall  
4 not be allowed any deduction for dividends paid;

5 (36) "Taxable year" means the calendar year or fiscal year ending during such calendar  
6 year, upon the basis of which net income is computed, and in the case of a return  
7 made for a fractional part of a year under the provisions of this chapter or under  
8 administrative regulations prescribed by the commissioner, "taxable year" means  
9 the period for which the return is made; and

10 (37) "Wages" has the same meaning as in Section 3401(a) of the Internal Revenue Code  
11 and includes other income subject to withholding as provided in Section 3401(f)  
12 and Section 3402(k), (o), (p), (q), and (s) of the Internal Revenue Code.

13 ➔Section 31. KRS 243.027 is amended to read as follows:

14 (1) KRS 243.027 to 243.029 shall supersede any conflicting statute in KRS Chapters  
15 241 to 244.

16 (2) A direct shipper **Type A** license shall authorize the holder to ship alcoholic  
17 beverages to consumers. **A direct shipper Type B license shall authorize the holder**  
18 **to ship cannabis-infused beverages to consumers.** The department shall issue a  
19 direct shipper license to a successful applicant that:

20 (a) Pays **the applicable** ~~an~~ annual license fee ~~of one hundred dollars (\$100)~~;

21 (b) Is a manufacturer located in this state or any other state, **a cannabis-infused**  
22 **beverage manufacturer licensed by the Department for Public Health,** or an  
23 alcoholic beverage supplier licensed under KRS 243.212 or 243.215; and

24 (c) Holds a current license, permit, or other authorization to manufacture or  
25 supply alcoholic beverages **or cannabis-infused beverages** in the state where  
26 the applicant is located. If an applicant is located outside of Kentucky, proof  
27 of its current license, permit, or other authorization as issued by its home state

1           shall be sufficient proof of its eligibility to hold a direct shipper license in  
2           Kentucky.

3       (3) (a) A manufacturer applicant shall only be authorized to ship~~[-alcoholic]~~  
4           beverages that are sold under a brand name owned or exclusively licensed to  
5           the manufacturer, provided the~~[-alcoholic]~~ beverages were:

- 6           1. Produced by the manufacturer;
- 7           2. Produced for the manufacturer under a written contract with another  
8           manufacturer; or
- 9           3. Bottled ***or canned*** for or by the manufacturer.

10       (b) An applicant licensed under KRS 243.212 or 243.215 shall only be authorized  
11       to ship alcoholic beverages ***or cannabis-infused beverages*** for which it is the  
12       primary source of supply.

13       (4) The department shall establish the form for a direct shipper license application  
14       through the promulgation of an administrative regulation. These requirements shall  
15       include only the following:

16       (a) The address of the manufacturer or supplier; and

17       (b) If the applicant is located outside this state, a copy of the applicant's current  
18       license, permit, or other authorization to manufacture, store, or supply  
19       alcoholic beverages ***or cannabis-infused beverages*** in the state where the  
20       applicant is located.

21       (5) For purposes of this section, the holder of a direct shipper license may utilize the  
22       services of a third party to fulfill shipments, subject to the following:

23       (a) The third party shall not be required to hold any alcoholic beverage license ***or***  
24       ***cannabis-infused beverage license***, but no licensed entity shall serve as a  
25       third party to fulfill shipments other than the holder of a storage license or  
26       transporter's license;

27       (b) The third party may operate from the premises of the direct shipper licensee

1 or from another business location; and

2 (c) The direct shipper licensee shall be liable for any violation of KRS 242.250,  
3 242.260, 242.270, or 244.080 that may occur by the third party.

4 (6) A direct shipper licensee shall:

5 (a) Agree that the Secretary of State shall serve as its registered agent for service  
6 of process. The licensee shall agree that legal service on the agent constitutes  
7 legal service on the direct shipper licensee;

8 (b) Maintain the records required under KRS 243.027 to 243.029 and provide the  
9 department and the Department of Revenue access to or copies of these  
10 records;

11 (c) Allow the department or the Department of Revenue to perform an audit of  
12 the direct shipper licensee's records or an inspection of the direct shipper  
13 licensee's licensed premises upon request. If an audit or inspection reveals a  
14 violation, the department or the Department of Revenue may recover  
15 reasonable expenses from the licensee for the cost of the audit or inspection;

16 (d) Register with the Department of Revenue, and file all reports and pay all taxes  
17 required under KRS 243.027 to 243.029; and

18 (e) Submit to the jurisdiction of the Commonwealth of Kentucky for any  
19 violation of KRS 242.250, 242.260, 242.270, or 244.080 or for nonpayment  
20 of any taxes owed.

21 (7) (a) Each direct shipper licensee shall submit to the department and the  
22 Department of Revenue a quarterly report for that direct shipper license  
23 showing:

24 1. The total amount of ~~alcoholic~~ beverages shipped into the state per  
25 consumer;

26 2. The name and address of each consumer;

27 3. The purchase price of the ~~alcoholic~~ beverages shipped and the amount

- 1 of taxes charged to the consumer for the ~~alcoholic~~ beverages shipped;
- 2 and
- 3 4. The name and address of each common carrier.
- 4 (b) The Department of Revenue shall create a form through the promulgation of
- 5 an administrative regulation for reporting under paragraph (a) of this
- 6 subsection.
- 7 (c) The department shall provide a list of all active direct shipper licensees to
- 8 licensed common carriers on a quarterly basis to reduce the number of
- 9 unlicensed shipments in the Commonwealth.
- 10 (8) A direct shipper licensee shall submit a current copy of its alcoholic beverage
- 11 license **or cannabis-infused beverage license** from its home state along with the
- 12 **applicable** ~~one hundred dollar (\$100)~~ license fee every year upon renewal of its
- 13 direct shipper license.
- 14 (9) Notwithstanding any provision of this section to the contrary, a manufacturer
- 15 located and licensed in Kentucky may ship by a common carrier holding a
- 16 Kentucky transporter's license samples of alcoholic beverages produced by the
- 17 manufacturer in quantities not to exceed one (1) liter, per any recipient, of any
- 18 individual product in one (1) calendar year of distilled spirits or wine, or ninety-six
- 19 (96) ounces, per any recipient, of any individual product in one (1) calendar year of
- 20 malt beverages, to any of the following:
- 21 (a) Marketing or media representatives twenty-one (21) years of age or older;
- 22 (b) Distilled spirits, wine, or malt beverage competitions or contests;
- 23 (c) Wholesalers or distributors located outside of Kentucky;
- 24 (d) Federal, state, or other regulatory testing labs;
- 25 (e) Third-party product formulation and development partners; and
- 26 (f) Persons or entities engaged in a private selection event pursuant to KRS
- 27 243.0305.

1 Such samples shall be marked by affixing across the product label, a not readily  
2 removed disclaimer with the words "Sample-Not for Sale" and the name of the  
3 manufacturer.

4 ➔Section 32. KRS 243.030 is amended to read as follows:

5 The following licenses that authorize traffic in distilled spirits and wine and in cannabis-  
6 infused beverages may be issued by the distilled spirits administrator. Licenses that  
7 authorize traffic in all alcoholic beverages may be issued by both the distilled spirits  
8 administrator and malt beverages administrator. The licenses and their accompanying  
9 fees are as follows:

10 (1) Distiller's license:

- 11 (a) Class A, per annum .....\$3,090.00
- 12 (b) Class B (craft distillery), per annum.....\$1,000.00
- 13 (c) Off-premises retail sales outlet, per annum .....\$300.00

14 (2) Rectifier's license:

- 15 (a) Class A, per annum .....\$2,580.00
- 16 (b) Class B (craft rectifier), per annum .....\$825.00

17 (3) Winery license, per annum .....\$1,030.00

18 (4) Small farm winery license, per annum .....\$110.00

19 (a) Small farm winery off-premises retail license, per annum .....\$30.00

20 (5) Wholesaler's license, per annum .....\$2,060.00

21 (6) Quota retail package license, per annum .....\$570.00

22 (7) Quota retail drink license, per annum .....\$620.00

23 (8) Transporter's license, per annum .....\$210.00

24 (9) Special nonbeverage alcohol license, per annum .....\$60.00

25 (10) Special agent's or solicitor's license, per annum .....\$30.00

26 (11) Bottling house or bottling house storage license, per annum .....\$1,030.00

27 (12) Special temporary license, per event .....\$100.00



1	(13) Special Sunday retail drink license, per annum .....	\$520.00
2	(14) Caterer's license, per annum .....	\$830.00
3	(15) Special temporary alcoholic beverage auction license, per event .....	\$100.00
4	(16) Extended hours supplemental license, per annum .....	\$2,060.00
5	(17) Hotel in-room license, per annum .....	\$210.00
6	(18) Air transporter license, per annum .....	\$520.00
7	(19) Sampling license, per annum .....	\$110.00
8	(20) Replacement or duplicate license .....	\$25.00
9	(21) Entertainment destination center license:	
10	(a) When the licensee is a city, county, urban-county government,	
11	consolidated local government, charter county government, or	
12	unified local government, per annum .....	\$2,577.00
13	(b) All other licensees, per annum .....	\$7,730.00
14	(22) Limited restaurant license, per annum .....	\$780.00
15	(23) Limited golf course license, per annum .....	\$720.00
16	(24) Small farm winery wholesaler's license, per annum .....	\$110.00
17	(25) Qualified historic site license, per annum .....	\$1,030.00
18	(26) Nonquota type 1 license, per annum .....	\$4,120.00
19	(27) Nonquota type 2 license, per annum .....	\$830.00
20	(28) Nonquota type 3 license, per annum .....	\$310.00
21	(29) Distilled spirits and wine storage license, per annum .....	\$620.00
22	(30) Out-of-state distilled spirits and wine supplier's license, per annum .....	\$1, 550.00
23	(31) Limited out-of-state distilled spirits and wine supplier's	
24	license, per annum .....	\$260.00
25	(32) Authorized public consumption license, per annum .....	\$250.00
26	(33) Direct shipper <b><u>Type A</u></b> license, per annum .....	\$100.00
27	(34) Limited nonquota package license, per annum .....	\$300.00

- 1 (35) Vintage distilled spirits license, per annum .....\$300.00
- 2 (36) **Cannabis-infused beverage retail package license, per annum.....\$2,000.00**
- 3 **(37) Cannabis-infused beverage distributor's license, per annum.....\$1,000.00**
- 4 **(38) Cannabis-infused beverage distributor's license,**
- 5 **supplemental, per annum .....\$1,000.00**
- 6 **(39) Direct shipper Type B license, per annum.....\$1,000.00**

7 **(40)** A nonrefundable fee of sixty dollars (\$60) shall be charged to process each new  
 8 transitional license pursuant to KRS 243.045.

9 **(41)**~~(37)~~ Other special licenses the board finds necessary for the proper regulation and  
 10 control of the traffic in distilled spirits and wine and provides for by administrative  
 11 regulation. In establishing the amount of license taxes that are required to be fixed  
 12 by the board, it shall have regard for the value of the privilege granted.

13 **(42)**~~(38)~~ The fee for each of the first five (5) supplemental bar licenses shall be the  
 14 same as the fee for the primary retail drink license. There shall be no charge for  
 15 each supplemental license issued in excess of five (5) to the same licensee at the  
 16 same premises.

17 A nonrefundable application fee of fifty dollars (\$50) shall be charged to process each  
 18 new application under this section, except for subsections (4), (8), (9), (10), (12), (15),  
 19 (19), and (20) of this section. The application fee shall be applied to the licensing fee if  
 20 the license is issued; otherwise it shall be retained by the department.

21 ➔Section 33. KRS 243.040 is amended to read as follows:  
 22 The following kinds of malt beverage licenses may be issued by the malt beverages  
 23 administrator, the fees for which shall be:

- 24 (1) Brewer's license, per annum .....\$2,580.00
- 25 (2) Microbrewery license, per annum .....\$520.00
- 26 (3) Distributor's license, per annum .....\$520.00
- 27 (4) Nonquota retail malt beverage package license, per annum.....\$210.00

- 1 (5) Out-of-state malt beverage supplier's license,
- 2 per annum .....\$1,550.00
- 3 (6) Malt beverage storage license, per annum .....\$260.00
- 4 (7) Replacement or duplicate license, per annum .....\$25.00
- 5 (8) Limited out-of-state malt beverage supplier's license,
- 6 per annum .....\$260.00
- 7 (9) Nonquota type 4 malt beverage drink license,
- 8 per annum .....\$210.00
- 9 (10) Direct shipper *Type A* license, per annum .....\$100.00

10 (11) The holder of a nonquota retail malt beverage package license may obtain a  
 11 Nonquota type 4 malt beverage drink license for a fee of fifty dollars (\$50). The  
 12 holder of a Nonquota type 4 malt beverage drink license may obtain a nonquota  
 13 retail malt beverage package license for a fee of fifty dollars (\$50).

14 (12) A nonrefundable fee of sixty dollars (\$60) shall be charged to process each new  
 15 transitional license pursuant to KRS 243.045.

16 (13) Other special licenses as the state board finds to be necessary for the administration  
 17 of KRS Chapters 241 to 244 and for the proper regulation and control of the  
 18 trafficking in malt beverages, as provided for by administrative regulations  
 19 promulgated by the state board.

20 A nonrefundable application fee of fifty dollars (\$50) shall be charged to process each  
 21 new application for a license under this section. The application fee shall be applied to  
 22 the licensing fee if the license is issued, or otherwise the fee shall be retained by the  
 23 department.

24 ➔Section 34. KRS 154.20-220 is amended to read as follows:

25 As used in KRS 154.20-220 to 154.20-229:

26 (1) "Affiliate" means the following:

27 (a) Members of a family, including only brothers and sisters of the whole or half

- 1 blood, spouse, ancestors, and lineal descendants of an individual;
- 2 (b) An individual, and a corporation more than fifty percent (50%) in value of the  
3 outstanding stock of which is owned, directly or indirectly, by or for that  
4 individual;
- 5 (c) An individual, and a limited liability company of which more than fifty  
6 percent (50%) of the capital interest or profits are owned or controlled,  
7 directly or indirectly, by or for that individual;
- 8 (d) Two (2) corporations which are members of the same controlled group, which  
9 includes and is limited to:
- 10 1. One (1) or more chains of corporations connected through stock  
11 ownership with a common parent corporation if:
- 12 a. Stock possessing more than fifty percent (50%) of the total  
13 combined voting power of all classes of stock entitled to vote or  
14 more than fifty percent (50%) of the total value of shares of all  
15 classes of stock of each of the corporations, except the common  
16 parent corporation, is owned by one (1) or more of the other  
17 corporations; and
- 18 b. The common parent corporation owns stock possessing more than  
19 fifty percent (50%) of the total combined voting power of all  
20 classes of stock entitled to vote or more than fifty percent (50%) of  
21 the total value of shares of all classes of stock of at least one (1) of  
22 the other corporations, excluding, in computing the voting power  
23 or value, stock owned directly by the other corporations; or
- 24 2. Two (2) or more corporations if five (5) or fewer persons who are  
25 individuals, estates, or trusts own stock possessing more than fifty  
26 percent (50%) of the total combined voting power of all classes of stock  
27 entitled to vote or more than fifty percent (50%) of the total value of

- 1 shares of all classes of stock of each corporation, taking into account the  
2 stock ownership of each person only to the extent the stock ownership is  
3 identical with respect to each corporation;
- 4 (e) A grantor and a fiduciary of any trust;
- 5 (f) A fiduciary of a trust and a fiduciary of another trust, if the same person is a  
6 grantor of both trusts;
- 7 (g) A fiduciary of a trust and a beneficiary of that trust;
- 8 (h) A fiduciary of a trust and a beneficiary of another trust, if the same person is a  
9 grantor of both trusts;
- 10 (i) A fiduciary of a trust and a corporation more than fifty percent (50%) in value  
11 of the outstanding stock of which is owned, directly or indirectly, by or for the  
12 trust or by or for a person who is a grantor of the trust;
- 13 (j) A fiduciary of a trust and a limited liability company more than fifty percent  
14 (50%) of the capital interest, or the interest in profits, of which is owned  
15 directly or indirectly, by or for the trust or by or for a person who is a grantor  
16 of the trust;
- 17 (k) A corporation, a partnership, or a limited partnership if the same persons own:
- 18 1. More than fifty percent (50%) in value of the outstanding stock of the  
19 corporation; and
- 20 2. More than fifty percent (50%) of the capital interest, or the profits  
21 interest, in the partnership or limited partnership;
- 22 (l) A corporation and a limited liability company if the same persons own:
- 23 1. More than fifty percent (50%) in value of the outstanding stock of the  
24 corporation; and
- 25 2. More than fifty percent (50%) of the capital interest or the profits in the  
26 limited liability company;
- 27 (m) A partnership or limited partnership and a limited liability company if the

1 same persons own:

2 1. More than fifty percent (50%) of the capital interest or profits in the  
3 partnership or limited partnership; and

4 2. More than fifty percent (50%) of the capital interest or the profits in the  
5 limited liability company; and

6 (n) Two (2) or more limited liability companies, if the same persons own more  
7 than fifty percent (50%) of the capital interest or are entitled to more than fifty  
8 percent (50%) of the capital profits in the limited liability companies;

9 (2) "Approved company" means an eligible company that has received final approval  
10 from the authority;

11 (3) "Authority" means the Kentucky Economic Development Finance Authority  
12 established by KRS 154.20-010;

13 (4) "Colocation tenant" means an entity that contracts with the owner or operator for  
14 space within a qualified data center project;

15 (5) "Commonwealth" means the Commonwealth of Kentucky;

16 (6) "Data center equipment":

17 (a) Means computer equipment and software for the processing, storage, retrieval,  
18 or communication of data, used directly and exclusively in a qualified data  
19 center project, including but not limited to:

20 1. a. Servers;

21 b. Routers;

22 c. Connections;

23 d. Monitoring and security systems for the data center equipment;

24 e. Fiber optic cabling and network equipment leading to and from the  
25 data center project; and

26 f. Other enabling machinery, equipment, and hardware;

27 regardless of whether the property is affixed to or incorporated into real

- 1 property;
- 2 2. Equipment used in the operation of computer equipment or software or  
3 for the benefit of the data center project, including component parts,  
4 installations, refreshments, replacements, and upgrades, regardless of  
5 whether the property is affixed to or incorporated into real property;
- 6 3. All equipment necessary for the transformation, generation, distribution,  
7 or management of electricity that is required to operate computer server  
8 equipment, including substations, generators, uninterruptible energy  
9 equipment, supplies, conduit, fuel piping and storage, cabling, duct  
10 banks, switches, switchboards, batteries, testing equipment, and backup  
11 generators;
- 12 4. All equipment necessary to cool and maintain a controlled environment  
13 for the operation of the computer servers and other components of the  
14 data center project, including chillers, mechanical equipment, refrigerant  
15 piping, fuel piping and storage, adiabatic and free cooling systems,  
16 cooling towers, water softeners, air handling units, indoor direct  
17 exchange units, fans, ducting, and filters;
- 18 5. All water conservation systems for the equipment, including facilities or  
19 mechanisms that are designed to collect, conserve, and reuse water;
- 20 6. All computer server equipment, chassis, networking equipment,  
21 switches, racks, fiber optic and copper cabling, trays, and conduit;
- 22 7. All monitoring equipment and security systems for the data center  
23 project, including security system monitoring services;
- 24 8. All software and prewritten computer software access services;
- 25 9. Extended warranty services with respect to data center equipment; and
- 26 10. Any other tangible personal property that is essential to the operations of  
27 the qualified data center project, excluding:

- 1           a. Electricity used by a qualified data center project; and
- 2           b. Property used for administrative purposes at the data center
- 3                 project, including office equipment; and
- 4       (b) Does not include:
- 5           1. Construction equipment; or
- 6           2. Building and construction materials permanently incorporated as an
- 7                 improvement to real property;
- 8       (7) "Department" means the Department of Revenue;
- 9       (8) "Eligible company":
- 10       (a) Means any corporation, limited liability company, partnership, limited
- 11           partnership, sole proprietorship, business trust, or any other entity with a
- 12           qualified data center project; and
- 13       (b) Includes an operator, an owner, a project organizer, and a colocation tenant;
- 14       (9) "Eligible costs" means expenditures made by the preliminarily approved company
- 15           or approved company after preliminary approval for the purchase, installation,
- 16           repair, and replacement of data center equipment for the qualified data center
- 17           project;
- 18       (10) "Final approval" means the action taken by the authority to verify that, on or before
- 19           the fifth anniversary of the preliminary approval, the minimum capital investment
- 20           has been made, with respect to the data center project;
- 21       (11) "Memorandum of agreement" means the agreement between the eligible company
- 22           and the authority executed under KRS 154.20-229;
- 23       (12) "Operator":
- 24       (a) Means any entity, other than an owner, a project organizer, or a colocation
- 25           tenant:
- 26           1. Operating a qualified data center project pursuant to a lease or other
- 27                 contract with the owner; and



- 1           2. Responsible for the control, oversight, or maintenance of a data center  
2           project; and
- 3       (b) Includes:
- 4           1. An affiliate of an operator;
- 5           2. A licensed property management company;
- 6           3. A property lessor; or
- 7           4. Any other individual or entity responsible for the control, oversight, or  
8           maintenance of a data center project;
- 9       (13) "Owner" means an entity, other than a project organizer, holding fee title to a data  
10       center project and includes an affiliate of an owner;
- 11       (14) "Preliminary approval" means the action taken by the authority to enter into a  
12       memorandum of agreement with an eligible company;
- 13       (15) "Project organizer" means an entity that:
- 14           (a) Solely provides qualified data center infrastructure for a qualified data center  
15           project; and
- 16           (b) Will enter into or has entered into a separate agreement with another entity for  
17           the purchase, use, or operation of the qualified data center infrastructure;
- 18       (16) "Qualified data center infrastructure" means providing site development and  
19       organization for a qualified data center project, including but not limited to:
- 20           (a) An uninterruptible power supply, including electrical substations and backup  
21           generators for safety against power disruptions;
- 22           (b) Availability of water and natural gas service, including any necessary  
23           infrastructure; and
- 24           (c) Multiple layers of security, including:
- 25           1. Physical security at the data center project, including fencing, entry  
26           control and monitoring, or security guards;
- 27           2. Infrastructure monitoring, including monitoring for water, power,

- 1 telecommunications, and internet connectivity; and
- 2 3. Environmental control measures, including sensors or responsive
- 3 equipment for detecting fire, flood, or other natural disasters;
- 4 (17) "Qualified data center project":
- 5 (a) Means:
- 6 1. Providing qualified data center infrastructure;
- 7 2. Acquiring, leasing, rehabilitating, expanding, or constructing one (1) or
- 8 more buildings that:
- 9 a. House a group of networked server computers in order to
- 10 centralize the storage, management, and dissemination of data and
- 11 information for a single project; and
- 12 b. Contain:
- 13 i. Dedicated cooling equipment for the computing machines
- 14 and related infrastructure;
- 15 ii. Extra capacity for data redundancy, including the ability to
- 16 maintain or replace equipment without a system shutdown;
- 17 and
- 18 iii. Physically isolated systems to avoid disruption from both
- 19 planned and unplanned events; or
- 20 3. Any combination of the activities described in subparagraphs 1.
- 21 and 2. of this paragraph;
- 22 (b) Has the following minimum capital investment on or before the fifth
- 23 anniversary of the preliminary approval:
- 24 1. For an owner, operator, or colocation tenant, at least:
- 25 a. Four hundred fifty million dollars (\$450,000,000) ***if located in a***
- 26 ***county having a population equal to or greater than one hundred***
- 27 ***thousand (100,000);***

1                   **b. One hundred million dollars (\$100,000,000) if located in a**  
 2                   **county having a population greater than fifty thousand (50,000)**  
 3                   **but less than one hundred thousand (100,000); or**

4                   **c. Twenty-five million dollar (\$25,000,000) if located in a county**  
 5                   **having a population of not more than fifty thousand (50,000);**  
 6                   **determined using the county's population estimate from the most**  
 7                   **recently available five (5) year American Community Survey as**  
 8                   **published by the United States Census Bureau at the time of**  
 9                   **application by the eligible company; or**

10                   2. For a project organizer, at least one hundred fifty million dollars  
 11                   (\$150,000,000);

12                   ~~(c) [ Is located within a consolidated local government having a population equal~~  
 13                   ~~to or greater than five hundred thousand (500,000), determined using the~~  
 14                   ~~county's population estimate from the most recently available five (5) year~~  
 15                   ~~American Community Survey as published by the United States Census~~  
 16                   ~~Bureau at the time of application by the eligible company;~~

17                   ~~(d) ]~~ Does not include any data center project that:

18                   1. Will result in the replacement of data centers existing in the  
 19                   Commonwealth;

20                   2. Applies for or accepts any other economic development incentives  
 21                   under KRS Chapter 154; or

22                   3. Benefits from the sales and use tax exemption for the sale or purchase of  
 23                   electricity used in commercial mining of cryptocurrency; and

24                   (18) "Term" means the period of time for which a memorandum of agreement may be in  
 25                   effect, which shall not exceed:

26                   (a) Fifteen (15) years for a qualified data center project of a project organizer;

27                   and

- 1 (b) For any other qualified data center project:
- 2 1. Fifty (50) years for a data center project having a capital investment
- 3 equal to or greater than four hundred fifty million dollars
- 4 (\$450,000,000); or
- 5 2. Twenty-five (25) years for a data center project having a capital
- 6 investment less than four hundred fifty million dollars (\$450,000,000).

7 ➔Section 35. 2025 RS HB 566/EN, Section 3, is amended to read as follows:

- 8 (1) There is hereby created and established the Kentucky Horse Racing and Gaming
- 9 Corporation to regulate all forms of live horse racing, pari-mutuel wagering, sports
- 10 wagering, breed integrity and development, and on and after July 1, 2025,
- 11 charitable gaming, in the Commonwealth, exclusive of the state lottery established
- 12 under KRS Chapter 154A. It shall be an independent, de jure municipal corporation
- 13 and political subdivision of the Commonwealth of Kentucky which shall be a public
- 14 body corporate and politic. The corporation shall be deemed a public agency within
- 15 the meaning of KRS 61.805 and 61.870. The corporation shall be managed in such
- 16 a manner that enables the people of the Commonwealth to benefit from its actions
- 17 and to enjoy the best possible racing and gaming experiences. The General
- 18 Assembly hereby recognizes that the operations of racing and gaming are unique
- 19 activities for state government and that a corporate structure will best enable racing
- 20 and gaming to be managed in a businesslike manner. It is the intent of the General
- 21 Assembly that the Kentucky Horse Racing and Gaming Corporation shall be
- 22 accountable to the Governor, the General Assembly, and the people of the
- 23 Commonwealth.
- 24 (2) (a) 1. The Auditor of Public Accounts shall perform an audit of the
- 25 corporation once every four (4) years, a copy of which shall be sent to
- 26 the Governor and the Legislative Research Commission.
- 27 2. A different auditing entity that is qualified to evaluate municipal

1 corporations shall conduct an annual audit of the corporation once each  
2 year in every year when the Auditor of Public Accounts does not  
3 perform an audit. A copy of this audit shall be sent to the Governor and  
4 Legislative Research Commission.

5 3. This first audit conducted under this subsection shall cover fiscal year  
6 2024-2025~~[2026-2027]~~.

7 (b) The corporation shall submit a written annual report to the Governor and the  
8 Legislative Research Commission on or before July 1 of each year. The first  
9 report shall be due July 1, 2025. The corporation shall file any additional  
10 reports requested by the Governor or the Legislative Research Commission.  
11 The annual report shall include the following information:

- 12 1. The receipts and disbursements of the corporation; and
- 13 2. Actions taken by the corporation.

14 (c) The corporation may submit any additional information and recommendations  
15 that the corporation considers useful or that the Governor or the Legislative  
16 Research Commission requests.

17 (3) The Kentucky Horse Racing and Gaming Corporation shall be administered by a  
18 board of directors to regulate the conduct of:

- 19 (a) Live horse racing;
- 20 (b) Pari-mutuel wagering;
- 21 (c) Sports wagering;
- 22 (d) Charitable gaming on and after July 1, 2025;
- 23 (e) Breed integrity and development; and
- 24 (f) Related activities within the Commonwealth of Kentucky.

25 (4) (a) The corporation shall establish and maintain a general office for the  
26 transaction of its business and may, in its discretion, establish a branch office  
27 or offices.

- 1 (b) The corporation may hold meetings at any of its offices or at any other place  
2 at its convenience.
- 3 (c) A majority of the voting members of the corporation shall constitute a quorum  
4 for the transaction of its business or exercise of any of its powers.
- 5 (5) Except as otherwise provided, the corporation shall be responsible for the  
6 following:
- 7 (a) Developing and implementing programs designed to ensure the safety and  
8 well-being of horses, jockeys, and drivers;
- 9 (b) Developing programs and procedures that will fulfill its oversight and  
10 regulatory role on such matters as medical practices and integrity issues;
- 11 (c) Recommending tax incentives and implementing incentive programs to ensure  
12 the strength and growth of the equine industry;
- 13 (d) Designing and implementing programs that strengthen the ties between  
14 Kentucky's horse industry and the state's universities, with the goal of  
15 significantly increasing the economic impact of the horse industry on  
16 Kentucky's economy, improving research for the purpose of promoting the  
17 enhanced health and welfare of the horse, and other related industry issues;
- 18 (e) Developing and supporting programs which ensure that Kentucky remains in  
19 the forefront of equine research;
- 20 (f) Designing and implementing programs that support and ensure breed integrity  
21 and development;
- 22 (g) Developing monitoring programs to ensure the highest integrity of sporting  
23 events and sports wagering;
- 24 (h) Developing a program to share wagering information with sports governing  
25 bodies upon which sports wagering may be conducted. The program shall be  
26 designed to assist the corporation in determining potential problems or  
27 questionable activity and provide reports to sports governing bodies

- 1 effectively;
- 2 (i) Developing programs and procedures that will fulfill its oversight and  
3 regulatory role to ensure the highest integrity in charitable gaming;
- 4 (j) Developing programs and procedures that will provide oversight and  
5 regulation for all current forms of gaming and wagering;
- 6 (k) Annually evaluating the allocation and use of funds among the purposes listed  
7 in Section 10 of this Act from unredeemed pari-mutuel vouchers; and
- 8 (l) Ensuring that the correct responsibilities are assigned to each of its offices as  
9 established in KRS 230.232.
- 10 (6) (a) The corporation shall conduct all procurements in accordance with procedures  
11 which are not inconsistent with the provisions of KRS Chapter 45A and this  
12 chapter; provided, however, that this chapter shall control if and to the extent  
13 that any provision in this chapter is expressly inconsistent with any provision  
14 of KRS Chapter 45A.
- 15 (b) The corporation may promulgate administrative regulations establishing its  
16 procurement procedures. If the corporation elects to promulgate  
17 administrative regulations establishing its procurement procedures rather than  
18 conduct procurements in accordance with KRS Chapter 45A, the corporation  
19 may include sections of KRS Chapter 45A as part of its administrative  
20 regulations.
- 21 (c) Major procurements for personal service contracts shall not be subject to the  
22 requirements of KRS 45A.695(2)(b) due to the unique operational activities  
23 conducted for state government by the corporation. The corporation's  
24 procurement procedures or administrative regulations shall be designed to  
25 provide for the purchase of supplies, equipment, services, and construction  
26 items that provide the greatest long-term benefit to the state and the greatest  
27 integrity for the corporation and the public.

- 1 (d) In its bidding and negotiation processes, the corporation may do its own  
2 bidding and procurement, or may utilize the services of the Finance and  
3 Administration Cabinet, or a combination thereof. The president of the  
4 corporation may, in lieu of the secretary of the Finance and Administration  
5 Cabinet, declare an emergency for purchasing purposes.
- 6 (7) Corporation records shall be open and subject to public inspection in accordance  
7 with KRS 61.870 to 61.884 unless:
- 8 (a) A record is exempted from inspection under KRS 61.878;
- 9 (b) A record involves a trade secret or other legally protected intellectual property  
10 or confidential proprietary information of the corporation or of an applicant,  
11 licensee, individual, or entity having submitted information of such character  
12 to the corporation, in which case, the portion of the record relating to these  
13 subjects may be closed; or
- 14 (c) The disclosure of the record could impair or adversely affect the operational  
15 security of the corporation in the regulation of matters within its jurisdiction  
16 or could impair or adversely impact the operational security of applicants or  
17 licensees.
- 18 (8) Meetings of the corporation through its board of directors shall be open to the  
19 public in accordance with KRS 61.800 to 61.850 unless the exceptions set forth in  
20 KRS 61.810 apply or the meeting addresses trade secrets, confidential or  
21 proprietary information, or operational security issues as described in subsection  
22 (7)(c) of this section. If this is the case, the corporation may meet in closed session  
23 and shall follow the procedures set forth in KRS 61.815.
- 24 (9) The corporation may participate in all state agency price contracts to the same  
25 extent as agencies of the Commonwealth in accordance with KRS 45A.050(3).
- 26 (10) (a) The corporation is hereby authorized to accept and expend such moneys as  
27 may be appropriated by the General Assembly or such moneys as may be



1 received from any source for effectuating its purposes, including without  
2 limitation the payment of the initial expenses of administration and operation  
3 of the corporation.

4 (b) After the transfer to the corporation of any funds appropriated in fiscal year  
5 2024-2025 and fiscal year 2025-2026 for the administration of this chapter  
6 and KRS Chapter 238, the corporation shall be self-sustaining and self-funded  
7 and moneys in the state general fund shall not be used or obligated to pay the  
8 expenses of the corporation.

9 (11) On July 1, 2024:

10 (a) The Kentucky Horse Racing and Gaming Corporation shall assume all  
11 responsibilities of the Kentucky Horse Racing Commission;

12 (b) The Kentucky Horse Racing Commission shall be abolished and all  
13 employees of the Kentucky Horse Racing Commission are transferred to the  
14 corporation; and

15 (c) All personnel, equipment, and funding shall be transferred from the Kentucky  
16 Horse Racing Commission to the Kentucky Horse Racing and Gaming  
17 Corporation.

18 (12) On July 1, 2025:

19 (a) The office regulating charitable gaming in the Kentucky Horse Racing and  
20 Gaming Corporation shall assume all responsibilities of the Department of  
21 Charitable Gaming;

22 (b) The Department of Charitable Gaming shall be abolished and all employees  
23 of the Department of Charitable Gaming are transferred to the corporation;  
24 and

25 (c) All personnel, equipment, and funding shall be transferred from the  
26 Department of Charitable Gaming to the Kentucky Horse Racing and Gaming  
27 Corporation.

- 1 (13) Notwithstanding any other law to the contrary, nothing in this chapter or KRS  
2 Chapter 238 shall authorize the corporation to:
- 3 (a) Regulate or control horse sales;
  - 4 (b) Require the licensure of horse breeders in their capacity as breeders;
  - 5 (c) Prohibit or restrict any approved, either by statute or administrative  
6 regulation, game or charitable gaming activity in use in the Commonwealth as  
7 of July 1, 2025, without action by the Kentucky General Assembly; or
  - 8 (d) Exercise jurisdiction over matters within the exclusive national authority of  
9 entities designated by the laws of the United States of America.

10 ➔Section 36. (1) Beginning July 1, 2025, until April 15, 2026, the Kentucky  
11 Horse Racing and Gaming Corporation shall not authorize additional locations for the  
12 play of electronic charity game tickets beyond the office location of the charitable  
13 organization, the location where the charitable organization is licensed to conduct bingo,  
14 and the location where pre-approved charitable fundraising events are authorized.

15 (2) Subsection (1) of this section shall not:

- 16 (a) Prevent electronic charity game ticket activities and electronic charity game  
17 ticket locations operating prior to July 1, 2025, from being resupplied or updated; or
- 18 (b) Apply if the corporation promulgates administrative regulations that regulate  
19 electronic charity game tickets.

20 ➔Section 37. The Kentucky Horse Racing and Gaming Corporation may  
21 promulgate administrative regulations in accordance with KRS 13A.200 to regulate all  
22 activities authorized by KRS Chapters 230 and 238 in contemplation of statutes granting  
23 additional authority to the corporation that shall go into effect July 1, 2025.

24 ➔Section 38. A claim for refund or credit of a tax overpayment for any taxable  
25 period made by an amended return, tax refund application, or any other method on or  
26 after the effective date of this Act, and based on the amendments to subsection (3) of  
27 Section 4 of this Act or subsection (3) of Section 5 of this Act, shall not be recognized for

1 any purpose.

2       ➔Section 39. Sections 4 and 5 of this Act shall apply retroactively to property  
3 assessed on or after December 31, 2022.

4       ➔Section 40. Sections 19 to 24, 26, and 35 to 37 of this Act take effect on July 1,  
5 2025.