

1 AN ACT relating to a tax credit for alternative jet fuel.

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

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

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

6 *(a) "Alternative jet fuel" means fuel that is produced in the United States that*
7 *can be blended and used with conventional petroleum jet fuel without the*
8 *need to modify aircraft engines and existing fuel distribution infrastructure,*
9 *that may be derived from co-processed feedstocks at a conventional*
10 *petroleum refinery, or that has a lower carbon intensity than traditional*
11 *petroleum jet fuel, including fuel that:*

12 *1. Consists of synthesized hydrocarbons and meets the requirements of:*

13 *a. The American Society for Testing and Materials International*
14 *Standard D7566; or*

15 *b. The American Society for Testing and Materials International*
16 *Standard D1655;*

17 *2. Is derived from resources such as corn or soybean oil, waste streams,*
18 *renewable or zero emissions energy sources, or gaseous carbon*
19 *oxides;*

20 *3. Is not derived from palm fatty acid distillates; and*

21 *4. Achieves at least a fifty percent (50%) lifecycle greenhouse gas*
22 *emissions reduction in comparison with petroleum-based jet fuel, as*
23 *determined by a test that show the fuel production pathway achieves at*
24 *least a fifty percent (50%) reduction of the aggregate attributional*
25 *care lifecycle:*

26 *a. Emissions under the lifecycle methodology for alternative jet*
27 *fuels adopted by the International Civil Aviation Organization*

1 with the agreement of the United States; or

2 b. Greenhouse gas emissions values utilizing the most recent
3 version of Argonne National Laboratory's GREET model,
4 inclusive of agricultural practices and carbon capture and
5 sequestration;

6 (b) "Alternative jet fuel consumer" means a taxpayer in this state that is the
7 end user of alternative jet fuel purchased for:

8 1. Storage and use in aircraft; or

9 2. Use in an aircraft departing from an airport located in this state;

10 (c) "Alternative jet fuel producer" means a facility or operation of a company
11 in this state that:

12 1. Produces alternative jet fuel;

13 2. Blends alternative jet fuel with aviation gasoline or jet fuel; or

14 3. Grows or produces a feedstock used in the production of alternative jet
15 fuel;

16 (d) "Eligible taxpayer" means an alternative jet fuel producer or alternative jet
17 fuel consumer; and

18 (e) "Feedstock" means the component used in the production of an approved
19 alternative jet fuel technology for use in the creation of alternative jet fuel
20 as may be derived from resources such as corn or soybean oil, waste
21 streams, renewable or zero emissions energy sources, or gaseous carbon
22 oxides.

23 (2) (a) There shall be allowed a nonrefundable alternative jet fuel credit allowed
24 against the taxes imposed in KRS 141.020 or 141.040 and 141.0401 for
25 eligible taxpayers in the Commonwealth in an amount certified by the
26 department under this section, with the ordering of the credits as provided
27 in Section 2 of this Act.

- 1 (b) For taxable years beginning on or after January 1, 2026, but before
2 January 1, 2031, alternative jet fuel producers and consumers may claim a
3 credit at a rate of:
- 4 1. One dollar and fifty cents (\$1.50) per gallon of alternative jet fuel; or
5 2. Two dollars (\$2) per gallon for alternative jet fuel produced in this
6 state.
- 7 (3) (a) The credit allowed in subsection (2) of this section shall not be carried
8 forward to a return for any other period.
- 9 (b) The total credit allowed per eligible taxpayer shall not exceed four million
10 dollars (\$4,000,000) per taxpayer per taxable year.
- 11 (c) The aggregate total of all credits claimed per calendar year shall not exceed
12 twenty million dollars (\$20,000,000).
- 13 (d) The taxpayer may claim the amount issued in the credit certificate under
14 subsection (7) of this section.
- 15 (4) An eligible taxpayer may claim a credit for blending or producing alternative jet
16 fuel, but not both. If alternative jet fuel is blended with aviation gasoline or jet
17 fuel, the credit is allowed only for the portion of alternative jet fuel that is
18 included in the blended fuel.
- 19 (5) (a) An alternative jet fuel consumer shall not claim credit for amounts claimed
20 by an alternative jet fuel producer under subsection (2) of this section.
- 21 (b) An alternative jet fuel producer shall not claim credit for amounts claimed
22 by an alternative jet fuel consumer under subsection (2) of this section.
- 23 (6) The department may promulgate administrative regulations in accordance with
24 KRS Chapter 13A to adopt forms and procedures for the calculation and
25 reporting of this tax credit.
- 26 (7) (a) Eligible taxpayers seeking approval for the credit under this section shall:
27 1. Submit an application to the department, on a form as prescribed by

1 the department, by January 15, 2027, following the close of the
2 calendar year, and each January 15 thereafter as long as the credit is
3 available; and

4 2. Provide the:

5 a. Taxpayer's identification number; and

6 b. Description and amount or volume of alternative jet fuel:

7 i. Consumed in this state, including anticipated amounts for
8 the calendar year; or

9 ii. Produced, including anticipated production amounts, for
10 the calendar year.

11 (b) The department shall:

12 1. Review all submitted applications no later than February 15, 2027,
13 and each February 15 thereafter as long as the credit is available;

14 2. Determine the amount of alternative jet fuel:

15 a. Produced outside of this state and sold in this state for the
16 calendar year;

17 b. Produced in this state and sold in this state for the calendar year;
18 and

19 c. Consumed in this state for the calendar year; and

20 3. By March 1 following the end of the calendar year, provide
21 certification to the eligible taxpayer indicating the amount of tax
22 credit to be awarded.

23 (8) If the total amount of credits requested under subsection (2) of this section
24 exceeds twenty million dollars (\$20,000,000), the department shall determine the
25 amount of credit each eligible taxpayer receives by multiplying the tax credit cap
26 by a fraction, the numerator of which is the amount of requested credit for the
27 eligible taxpayer and the denominator of which is the total amount requested for

1 all eligible taxpayers.

2 (9) (a) In order for the General Assembly to evaluate the alternative jet fuel tax
3 credit, the department shall provide the following information on a
4 cumulative basis for each taxable year to provide a historical impact of the
5 taxpayer:

6 1. The number of tax returns, by the tax type of return filed, claiming the
7 credit for each taxable year;

8 2. The total amount of credit claimed on returns filed for each taxable
9 year;

10 3. The cumulative number of credits claimed by county, as identified by
11 the mailing address on the return filed for each taxable year;

12 4. a. In the case of taxpayers other than corporations, based on
13 ranges of adjusted gross income of no larger than five thousand
14 dollars (\$5,000), the total amount of credits claimed for each
15 adjusted gross income range for each taxable year; and

16 b. In the case of corporations, based on ranges of net income of no
17 larger than fifty thousand dollars (\$50,000), the total amount of
18 credit claimed for each net income range for each taxable year;
19 and

20 5. Any other taxpayer information necessary for the General Assembly to
21 evaluate this credit.

22 (b) The report required by paragraph (a) of this subsection shall be submitted
23 to the Interim Joint Committee on Appropriations and Revenue on or before
24 November 1, 2027, and each November 1 thereafter as long as the tax credit
25 is claimed on any tax return filed.

26 (c) The information required to be reported under this subsection shall not be
27 considered confidential taxpayer information and shall not be subject to

1 *KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes*
2 *prohibiting disclosure or reporting of information.*

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

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

- 7 (1) The nonrefundable business incentive credits against the tax imposed by KRS
8 141.020 shall be taken in the following order:
- 9 (a) The limited liability entity tax credit permitted by KRS 141.0401;
 - 10 (b) The economic development credits computed under KRS 141.347, 141.381,
11 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and
12 154.12-2088;
 - 13 (c) The qualified farming operation credit permitted by KRS 141.412;
 - 14 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
 - 15 (e) The health insurance credit permitted by KRS 141.062;
 - 16 (f) The tax paid to other states credit permitted by KRS 141.070;
 - 17 (g) The credit for hiring the unemployed permitted by KRS 141.065;
 - 18 (h) The recycling or composting equipment credit permitted by KRS 141.390;
 - 19 (i) The ~~tax~~ credit for cash contributions in investment funds permitted by KRS
20 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
21 154.20-258;
 - 22 (j) The research facilities credit permitted by KRS 141.395;
 - 23 (k) The employer High School Equivalency Diploma program incentive credit
24 permitted under KRS 151B.402;
 - 25 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
 - 26 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - 27 (n) The clean coal incentive credit permitted by KRS 141.428;

- 1 (o) The ethanol credit permitted by KRS 141.4242;
- 2 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 3 (q) The energy efficiency credits permitted by KRS 141.436;
- 4 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 5 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 6 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 7 (u) The distilled spirits credit permitted by KRS 141.389;
- 8 (v) The angel investor credit permitted by KRS 141.396;
- 9 (w) The film industry credit permitted by KRS 141.383 for applications approved
- 10 on or after April 27, 2018, but before January 1, 2022;
- 11 (x) The inventory credit permitted by KRS 141.408;
- 12 (y) The renewable chemical production credit permitted by KRS 141.4231;~~and~~
- 13 (z) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;
- 14 **and**
- 15 **(aa) The alternative jet fuel credit permitted by Section 1 of this Act;**
- 16 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 17 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 18 shall be taken in the following order:
- 19 (a) The individual credits permitted by KRS 141.020(3);
- 20 (b) The credit permitted by KRS 141.066;
- 21 (c) The tuition credit permitted by KRS 141.069;
- 22 (d) The household and dependent care credit permitted by KRS 141.067;
- 23 (e) The income gap credit permitted by KRS 141.066; and
- 24 (f) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS
- 25 141.522;
- 26 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 27 this section, the refundable credits against the tax imposed by KRS 141.020 shall be

- 1 taken in the following order:
- 2 (a) The individual withholding tax credit permitted by KRS 141.350;
- 3 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 4 (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
5 171.397(1)(b);
- 6 (d) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications
7 approved prior to April 27, 2018, or on or after January 1, 2022;
- 8 (e) The development area ~~tax~~ credit permitted by KRS 141.398;
- 9 (f) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
- 10 (g) The pass-through entity tax credit permitted by KRS 141.209;
- 11 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
12 tax imposed by KRS 141.040;
- 13 (5) The following nonrefundable credits shall be applied against the sum of the tax
14 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
15 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 16 (a) The economic development credits computed under KRS 141.347, 141.381,
17 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and
18 154.12-2088;
- 19 (b) The qualified farming operation credit permitted by KRS 141.412;
- 20 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 21 (d) The health insurance credit permitted by KRS 141.062;
- 22 (e) The unemployment credit permitted by KRS 141.065;
- 23 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 24 (g) The coal conversion credit permitted by KRS 141.041;
- 25 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
26 ending prior to January 1, 2008;
- 27 (i) The ~~tax~~ credit for cash contributions to investment funds permitted by KRS

- 1 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
2 154.20-258;
- 3 (j) The research facilities credit permitted by KRS 141.395;
- 4 (k) The employer High School Equivalency Diploma program incentive credit
5 permitted by KRS 151B.402;
- 6 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 7 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 8 (n) The clean coal incentive credit permitted by KRS 141.428;
- 9 (o) The ethanol credit permitted by KRS 141.4242;
- 10 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 11 (q) The energy efficiency credits permitted by KRS 141.436;
- 12 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
13 permitted by KRS 141.437;
- 14 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 15 (t) The railroad expansion credit permitted by KRS 141.386;
- 16 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 17 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 18 (w) The distilled spirits credit permitted by KRS 141.389;
- 19 (x) The film industry credit permitted by KRS 141.383 for applications approved
20 on or after April 27, 2018, but before January 1, 2022;
- 21 (y) The inventory credit permitted by KRS 141.408;
- 22 (z) The renewable chemical production ~~tax~~ credit permitted by KRS 141.4231;
- 23 (aa) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS
24 141.522;~~and~~
- 25 (ab) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;
26 and
- 27 **(ac) The alternative jet fuel credit permitted by Section 1 of this Act; and**

- 1 (6) After the application of the nonrefundable credits in subsection (5) of this section,
2 the refundable credits shall be taken in the following order:
- 3 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
 - 4 (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
5 171.397(1)(b);
 - 6 (c) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications
7 approved prior to April 27, 2018, or on or after January 1, 2022;
 - 8 (d) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
 - 9 (e) The pass-through entity tax credit permitted by KRS 141.209.

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

- 11 (1) No present or former commissioner or employee of the department, present or
12 former member of a county board of assessment appeals, present or former property
13 valuation administrator or employee, present or former secretary or employee of the
14 Finance and Administration Cabinet, former secretary or employee of the Revenue
15 Cabinet, or any other person, shall intentionally and without authorization inspect
16 or divulge any information acquired by him or her of the affairs of any person, or
17 information regarding the tax schedules, returns, or reports required to be filed with
18 the department or other proper officer, or any information produced by a hearing or
19 investigation, insofar as the information may have to do with the affairs of the
20 person's business.
- 21 (2) The prohibition established by subsection (1) of this section shall not extend to:
- 22 (a) Information required in prosecutions for making false reports or returns of
23 property for taxation, or any other infraction of the tax laws;
 - 24 (b) Any matter properly entered upon any assessment record, or in any way made
25 a matter of public record;
 - 26 (c) Furnishing any taxpayer or his or her properly authorized agent with
27 information respecting his or her own return;

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

- 1 applicable school districts on a confidential basis;
- 2 (j) Providing documents, data, or other information to a third party pursuant to an
3 order issued by a court of competent jurisdiction;
- 4 (k) Publishing administrative writings on its official website in accordance with
5 KRS 131.020(1)(b); or
- 6 (l) Providing information to the Legislative Research Commission under:
- 7 1. KRS 139.519 for purposes of the sales and use tax refund on building
8 materials used for disaster recovery;
- 9 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 10 3. KRS 141.437 for purposes of the ENERGY STAR home and the
11 ENERGY STAR manufactured home credits;
- 12 4. KRS 141.383 for purposes of the film industry incentives;
- 13 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization
14 credit~~[tax credits]~~ and the job assessment fees;
- 15 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 16 7. KRS 141.396 for purposes of the angel investor ~~[tax]~~credit;
- 17 8. KRS 141.389 for purposes of the distilled spirits credit;
- 18 9. KRS 141.408 for purposes of the inventory credit;
- 19 10. KRS 141.390 for purposes of the recycling and composting
20 credits~~[credit]~~;
- 21 11. KRS 141.3841 for purposes of the selling farmer ~~[tax]~~credit;
- 22 12. KRS 141.4231 for purposes of the renewable chemical production ~~[tax]~~
23 }credit;
- 24 13. KRS 141.524 for purposes of the Education Opportunity Account
25 Program ~~[tax]~~credit;
- 26 14. KRS 141.398 for purposes of the development area ~~[tax]~~credit;
- 27 15. KRS 139.516 for the purposes of the sales and use tax exemptions

- 1 ~~for~~[~~exemption on~~] the commercial mining of cryptocurrency;
- 2 16. KRS 141.419 for purposes of the decontamination ~~tax~~ credit;
- 3 17. KRS 141.391 for purposes of the qualified broadband investment ~~tax~~
- 4 ~~credit;~~~~and~~
- 5 18. KRS 139.499 for purposes of the sales and use tax
- 6 exemptions[~~exemption~~] for a qualified data center project; and

7 **19. Section 1 of this Act for purposes of the alternative jet fuel credit.**

- 8 (3) The commissioner shall make available any information for official use only and on
- 9 a confidential basis to the proper officer, agency, board or commission of this state,
- 10 any Kentucky county, any Kentucky city, any other state, or the federal
- 11 government, under reciprocal agreements whereby the department shall receive
- 12 similar or useful information in return.
- 13 (4) Access to and inspection of information received from the Internal Revenue Service
- 14 is for department use only, and is restricted to tax administration purposes.
- 15 Information received from the Internal Revenue Service shall not be made available
- 16 to any other agency of state government, or any county, city, or other state, and
- 17 shall not be inspected intentionally and without authorization by any present
- 18 secretary or employee of the Finance and Administration Cabinet, commissioner or
- 19 employee of the department, or any other person.
- 20 (5) Statistics of crude oil as reported to the department under the crude oil excise tax
- 21 requirements of KRS Chapter 137 and statistics of natural gas production as
- 22 reported to the department under the natural resources severance tax requirements
- 23 of KRS Chapter 143A may be made public by the department by release to the
- 24 Energy and Environment Cabinet, Department for Natural Resources.
- 25 (6) Notwithstanding any provision of law to the contrary, beginning with mine-map
- 26 submissions for the 1989 tax year, the department may make public or divulge only
- 27 those portions of mine maps submitted by taxpayers to the department pursuant to

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