

1 AN ACT relating to housing and making an appropriation therefor.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 198A IS CREATED TO  
4 READ AS FOLLOWS:

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

6 *(a) "Eligible activity" means providing construction loans for development or*  
7 *rehabilitation of multifamily and single-family housing for individuals or*  
8 *families with a family income equal to or less than one hundred percent*  
9 *(100%) of the area median income; and*

10 *(b) "Eligible entity" means any of the following:*

11 *1. A unit of local government;*

12 *2. A local government housing authority;*

13 *3. Any regional or statewide housing assistance organization; or*

14 *4. Any organization duly organized and validly existing as a corporation*  
15 *under the laws of the Commonwealth, any other state, or the United*  
16 *States whose purpose includes the development, construction,*  
17 *rehabilitation, or acquisition of housing.*

18 *(2) There is hereby established in the State Treasury a revolving account to be known*  
19 *as the affordable housing loan pool fund. This fund shall be administered by the*  
20 *corporation. The fund shall consist of moneys received from state appropriations,*  
21 *gifts, grants, federal funds, and all loan repayments, interest, or other return on*  
22 *the investment of fund moneys under this section.*

23 *(3) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of*  
24 *the fiscal year shall not lapse but shall be carried forward into the succeeding*  
25 *fiscal year to be used for the purposes set forth in this section.*

26 *(4) The corporation shall make loans from the fund to eligible entities to carry out*  
27 *eligible activities, with the following loan terms:*

- 1        (a) A loan shall be for a term of no longer than forty-eight (48) months; and
- 2        (b) Interest rates shall not be greater than fifty percent (50%) of the prime rate
- 3                at the time the loan is originated. However, at no time may the interest rate
- 4                for a loan originated by the fund be lower than one and one-half percent
- 5                (1.5%)
- 6        (5) Housing units funded under this section shall be deed restricted for a minimum
- 7                of fifteen (15) years as follows:
- 8                (a) All units shall maintain the same demographic restrictions on residents as
- 9                required by this section for initial selection; and
- 10               (b) Amendments to deed restrictions may be granted by the corporation on a
- 11               case-by-case basis.
- 12        (6) All loan repayments, interest, or other return on the investment of fund moneys
- 13               shall be deposited in the fund and used for eligible activities in accordance with
- 14               this section.
- 15        (7) The corporation shall:
- 16               (a) Issue a public notice to eligible entities of the availability of moneys from
- 17               the fund at least once per calendar year and provide a reasonable
- 18               opportunity for the filing of loan applications, provided sufficient funds are
- 19               available;
- 20               (b) Approve or deny properly submitted and completed loan applications within
- 21               one hundred eighty (180) days of receipt;
- 22               (c) Approve as many loan applications as will effectively use available moneys
- 23               in the fund;
- 24               (d) Approve or deny loan applications by ranking the applications competitively
- 25               using criteria established by the corporation with public and stakeholder
- 26               feedback; and
- 27               (e) Require at least an established percentage of all moneys in the fund to be

1 used for housing in rural areas of the Commonwealth, as defined by the  
2 corporation through administrative regulation.

3 (8) A person or entity shall not discriminate in the sale or rental, or otherwise  
4 making available or denying, a housing unit funded under this section to any  
5 buyer or renter because of race, religion, sex, familial status, disability, or  
6 national origin.

7 (9) The corporation may retain up to ten percent (10%) of the active project funds to  
8 cover the administrative and compliance related costs of this fund.

9 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 194A IS CREATED TO  
10 READ AS FOLLOWS:

11 (1) As used in this section:

12 (a) "Eligible activities" means any of the following:

13 1. Provision of matching funds for federal moneys relating to continuum  
14 of care;

15 2. Construction of new housing units to provide transitional or  
16 permanent housing;

17 3. Acquisition or rehabilitation of a structure to provide transitional or  
18 permanent housing, other than emergency shelter, or to provide  
19 supportive services;

20 4. Leasing of property, or portions of property, not owned by the  
21 recipient or project sponsor involved, for use in providing transitional  
22 or permanent housing, or providing supportive services;

23 5. Providing rental assistance to provide transitional or permanent  
24 housing;

25 6. Payment of operating costs for housing units assisted by a continuum  
26 of care grant or for the preservation of housing that will serve  
27 homeless individuals and families and for which another form of

1 assistance is expiring or otherwise no longer available; and  
2 7. Supportive services for individuals and families who are currently  
3 homeless, who have been homeless in the prior six (6) months but are  
4 currently residing in permanent housing, or who were previously  
5 homeless and are currently residing in permanent supportive housing;  
6 and

7 (b) "Eligible entities" means any of the following:

- 8 1. Nonprofit organizations that are exempt from taxation under Section  
9 501(c) of the Internal Revenue Code;
- 10 2. Local governments; and
- 11 3. Instrumentalities of local government.

12 (2) There is hereby established in the State Treasury a trust and agency account to be  
13 known as the homelessness prevention fund. This fund shall be administered by  
14 the Cabinet for Health and Family Services. The fund shall consist of moneys  
15 received from state appropriations, gifts, grants, federal funds, and interest or  
16 other return on the investment of fund moneys under this section.

17 (3) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of  
18 the fiscal year shall not lapse but shall be carried forward into the succeeding  
19 fiscal year to be used for the purposes set forth in this section.

20 (4) The purposes of the fund shall be to:

- 21 (a) Promote community-wide commitment to the goal of ending homelessness;
- 22 (b) Provide funding for efforts by nonprofit organizations and local  
23 governments to quickly rehouse homeless individuals and families while  
24 minimizing the trauma and dislocation caused to individuals, families, and  
25 communities by homelessness; and
- 26 (c) Optimize self-sufficiency among individuals and families experiencing  
27 homelessness.

- 1 (5) The cabinet shall award grants from the homelessness prevention fund to eligible  
2 entities to carry out eligible activities.
- 3 (6) All loan repayment, interest, or other return on the investment of fund moneys  
4 shall be deposited in the fund and used for eligible activities in accordance with  
5 this section.
- 6 (7) The cabinet shall:
- 7 (a) Issue a public notice to eligible entities of the availability of moneys from  
8 the fund at least once per calendar year and provide a reasonable  
9 opportunity for the filing of grant applications, provided sufficient funds are  
10 available;
- 11 (b) Approve or deny properly submitted and completed grant applications  
12 within ninety (90) days of receipt; and
- 13 (c) Approve as many grant applications as will effectively use available moneys  
14 in the fund.
- 15 (8) Criteria established by the cabinet for approving or denying grant applications  
16 shall include:
- 17 (a) The previous performance of the applicant regarding homelessness as  
18 measured by criteria that shall include:
- 19 1. The length of time individuals and families remain homeless;  
20 2. The extent to which individuals and families who leave homelessness  
21 experience additional spells of homelessness;  
22 3. The thoroughness of grantees in the geographic area in reaching  
23 homeless individuals and families;  
24 4. Overall reduction in the number of homeless individuals and families;  
25 5. Jobs and income growth for homeless individuals and families;  
26 6. Success at reducing the number of individuals and families who  
27 become homeless; and

1            7. Other accomplishments by the applicant related to reducing  
2            homelessness; and

3            (b) The plan of the applicant, which shall describe:

4            1. How the number of individuals and families who become homeless  
5            will be reduced in the community;

6            2. How the length of time that individuals and families remain homeless  
7            will be reduced;

8            3. How the applicant will collaborate with local education agencies to  
9            assist in the identification of individuals and families who become or  
10           remain homeless and are informed of their eligibility for services; and

11           4. The extent to which the applicant will:

12           a. Address the needs of all relevant subpopulations;

13           b. Incorporate comprehensive strategies for reducing  
14           homelessness;

15           c. Set quantifiable performance measures;

16           d. Set timelines for completion of specific tasks;

17           e. Identify specific funding sources for planned activities; and

18           f. Identify an individual or body responsible for overseeing  
19           implementation of specific strategies.

20           (9) The corporation may retain up to ten percent (10%) of the active project funds to  
21           cover the administrative and compliance-related costs of this fund.

22           ➔Section 3. KRS 198A.080 is amended to read as follows:

23           (1) There is hereby created and established a loan fund to be known as the housing  
24           development fund and to be administered by the corporation as a trust fund separate  
25           and distinct from all other moneys, funds, or assets administered by the corporation.

26           (2) (a) The housing development fund shall be comprised of and the corporation is  
27           hereby authorized to receive and accept for the housing development fund the

1           proceeds of grants, contributions, appropriations, repayment of loans made  
2           from the fund, the proceeds of fund notes, and any other moneys which may  
3           be made available to the corporation for the purposes of the housing  
4           development fund from any other source.

5           **(b)** The corporation is hereby authorized to receive and accept from any source  
6           whatever any grants or contributions for the housing development fund.

7           **(c)** **1.** The corporation is authorized to provide for the issuance, at one (1) time  
8           or from time to time, of housing development fund notes for the purpose  
9           of providing funds for such fund; provided, however, that not more than  
10          \$5,000,000 fund notes or other borrowings shall be outstanding at any  
11          one (1) time.

12          **2.** The principal of and the interest on any such fund notes shall be payable  
13          solely from the housing development fund.

14          **3.** The fund notes of each issue shall be dated, shall mature at such time or  
15          times not exceeding ten (10) years from their date or dates, and may be  
16          made redeemable before maturity, at the option of the corporation, at  
17          such price or prices and under such terms and conditions as may be  
18          determined by the corporation.

19          **4.** The corporation shall determine the form and manner of execution of  
20          the fund notes, including any interest coupons to be attached thereto,  
21          and shall fix the denomination or denominations and the place or places  
22          of payment of principal and interest, which may be any bank or trust  
23          company within or without the state or any agent, including the lender.

24          **5.** In case any officer whose signature or a facsimile of whose signature  
25          shall appear on any fund notes or coupons attached thereto shall cease to  
26          be such officer before the delivery thereof, such signature or such  
27          facsimile shall nevertheless be valid and sufficient for all purposes the

1 same as if he had remained in office until such delivery.

2 6. The fund notes may be issued in coupon or in registered form, or both,  
3 as the corporation may determine, and provision may be made for the  
4 registration of any coupon fund notes as to principal alone and also as to  
5 both principal and interest, and for the reconversion into coupon fund  
6 notes of any fund notes registered as to both principal and interest, and  
7 for the interchange of registered and coupon fund notes.

8 7. Any such fund notes shall bear interest at such rate or rates as may be  
9 determined by the corporation and may be sold in such manner, either at  
10 public or private sale, and for such price as the corporation shall  
11 determine to be for the best interest of the corporation and best  
12 effectuate the purposes of this chapter.

13 (3) The proceeds of any fund notes shall be used solely for the purposes for which  
14 issued and shall be disbursed in such manner and under such restrictions, if any, as  
15 the corporation may provide in the resolution authorizing the issuance of such fund  
16 notes. The corporation may provide for the replacement of any fund notes which  
17 shall become mutilated or shall be destroyed or lost.

18 (4) Fund notes may be issued under the provisions of this section without obtaining the  
19 consent of any department, division, commission, board, body, bureau, or agency of  
20 the state, and without any other proceedings or the happening of any conditions or  
21 things other than those proceedings, conditions, or things which are specifically  
22 required by this chapter and the provisions of the resolution authorizing the  
23 issuance of such fund notes.

24 (5) The purpose of the housing development fund is to provide a source from which the  
25 corporation may make loans and grants, and the corporation is authorized to make  
26 loans and grants from the housing development fund, at such interest rate or rates  
27 and such term or terms as may be determined by the corporation to be for the best



1 interest of the corporation and best effectuate the purpose of this chapter, and with  
2 such security for repayment as the corporation deems reasonably necessary and  
3 practicable, to:

- 4 (a) Defray development costs of sponsors, builders, and developers of residential  
5 housing, or
- 6 (b) Provide to persons and families of lower and moderate income who are  
7 applying for mortgages, either for purchase or rehabilitation of residential  
8 housing the amounts required to make down payments, pay closing costs, or  
9 make interest payments, or
- 10 (c) Make or participate in the making of construction loans which are not  
11 federally insured to sponsors, builders, and developers of land development or  
12 residential housing; provided, however, that such loans shall be made only  
13 upon the determination by the corporation that construction loans are not  
14 otherwise available, wholly or in part, from private lenders upon reasonably  
15 equivalent terms and conditions.
- 16 (6) No temporary loans shall be made by the corporation from the housing  
17 development fund except in accordance with a written agreement which shall  
18 include, without limitation, the following terms and conditions:
- 19 (a) The proceeds of such loan shall be used only for the purpose for which such  
20 loan shall have been made as provided in the agreement;
- 21 (b) Such loan shall be repaid in full as provided in the agreement;
- 22 (c) All repayments in connection with a loan to defray development costs shall be  
23 made concurrent with receipt by the borrower of the proceeds of a  
24 construction loan or mortgage loan, as the case may be, or at such other times  
25 as the corporation deems reasonably necessary or practicable; and
- 26 (d) Such security for repayment shall be specified and shall be upon such terms  
27 and conditions as the corporation deems reasonably necessary or practicable

1 to insure all repayments.

2 (7) No funds from the housing development fund shall be used to carry on propaganda  
3 or otherwise attempt to influence legislation.

4 (8) (a) Notwithstanding other provisions of this section, the corporation may make  
5 loans secured by a mortgage from the housing development fund to enable a  
6 person~~[sixty-two (62) years of age or older]~~ who owns the home in which he  
7 ***or she*** resides, whose ***household*** income~~[combined with his spouse]~~ does not  
8 exceed ***one hundred percent (100%) of the area median income***~~[six~~  
9 ~~thousand dollars (\$6,000)]~~, and who meets any other reasonable standards  
10 established by the corporation to make repairs to his ***or her*** home including  
11 but not limited to siding, weatherstripping, roofing, gutters, electrical wiring,  
12 plumbing, and installation of sewers.

13 (b) The maximum principal amount of such loans shall not exceed ***twenty-five***  
14 ***thousand dollars (\$25,000)***~~[seven thousand dollars (\$7,000)]~~ and the  
15 maximum interest rate shall not exceed three percent (3%). All loans shall be  
16 repayable over a period of thirty (30) years. Upon the death of the borrowers  
17 prior to maturity, the unpaid balance shall be paid in full by the person to  
18 whom the house has passed by devise or descent~~[-~~

19 ~~(c) The corporation shall make loans under this section in an equal number in~~  
20 ~~each of the six (6) congressional districts].~~

21 **(9) The corporation shall provide notice of the availability of moneys from the fund**  
22 **at least twice each calendar year to the general public through press releases,**  
23 **social media, and through other affordable housing organizations.**

24 **(10) (a) The corporation shall provide technical and administrative assistance to**  
25 **applicants applying for assistance from the fund.**

26 **(b) The corporation may use fund moneys to provide technical and**  
27 **administrative assistance to applicants.**

1        (c) Technical and administrative costs may not exceed ten percent (10%) of the  
2                    loan funds appropriated for that fiscal year.

3        ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 198A IS CREATED TO  
4 READ AS FOLLOWS:

5        (1) As used in this section:

6            (a) "Affordable housing credit" means the credit established in Section 5 of  
7                    this Act;

8            (b) "Department" means the Department of Revenue;

9            (c) "Eligibility statement" means the certificate issued by the corporation  
10                    indicating approval amount of the affordable housing credit;

11            (d) "Eligible taxpayer" means any taxpayer, corporation, pass-through entity,  
12                    partner, member, or shareholder that has ownership of the qualified low-  
13                    income housing project and has been approved for the federal low-income  
14                    housing tax credit for the construction or substantial rehabilitation of a  
15                    qualified low-income housing project in this state;

16            (e) "Federal low-income housing tax credit" means the federal credit claimed  
17                    in accordance with 26 U.S.C. sec. 42 and awarded by the corporation;

18            (f) "Qualified allocation plan" has the same meaning as in 26 U.S.C. sec. 42;  
19                    and

20            (g) "Qualified low-income housing project" has the same meaning as in 26  
21                    U.S.C. sec. 42.

22        (2) Beginning with applications received for federal low-income housing tax credit  
23                    approval during calendar year 2026, the corporation shall also review and  
24                    approve credit for the affordable housing credit.

25        (3) Approval for the affordable housing credit shall be:

26            (a) Awarded in the same manner as the federal low-income housing tax credit,  
27                    in accordance with the corporation's qualified allocation plan and subject

- 1           to the limits in subsection (5) of this section; and
- 2           (b) In an amount that shall be determined by the corporation on a project-  
3           specific basis for maximum utilization of available credit.
- 4           (4) Eligible taxpayers seeking approval of the affordable housing credit shall request  
5           the credit on a separate statement or form as prescribed by the corporation, and  
6           attach it to the federal low-income housing tax credit application.
- 7           (5) The affordable housing credit is limited to:
- 8           (a) Two million dollars (\$2,000,000) per eligible taxpayer; and
- 9           (b) An aggregate total of twenty million dollars (\$20,000,000) for all credits in  
10           each year for which the credit is available.
- 11           (6) The corporation shall notify taxpayers of the affordable housing credit approval  
12           in the same manner as the federal low-income housing tax credit and provide an  
13           eligibility statement.
- 14           (7) The affordable housing credit is available for taxable years beginning on or after  
15           January 1, 2026, but before January 1, 2030. The corporation shall report to the  
16           department on or before December 1, 2027, and on or before each December 1  
17           thereafter as long as the Kentucky affordable housing credit is available, the  
18           following:
- 19           (a) The name of the qualified low-income housing project;
- 20           (b) The name and federal employer identification number of the eligible  
21           taxpayer; and
- 22           (c) The amount of affordable housing credit awarded.
- 23           (8) The corporation shall also report to the department, on an annual basis, any  
24           qualified low-income housing project that is no longer in compliance in  
25           accordance with the federal low-income housing tax credit guidelines established  
26           in 26 U.S.C. sec. 42, and include:
- 27           (a) The name of the qualified low-income housing project;

1 (b) The name and federal employer identification number of the eligible  
 2 taxpayer;

3 (c) The amount of affordable housing credit subject to recapture which shall be  
 4 based on the portion of federal low-income housing tax credit also subject  
 5 to recapture; and

6 (d) The date for which the low-income housing project was found to be  
 7 noncompliant.

8 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
 9 READ AS FOLLOWS:

10 (1) As used in this section:

11 (a) "Corporation" means the Kentucky Housing Corporation established under  
 12 KRS 198A.030;

13 (b) "Eligibility statement" has the same meaning as in Section 4 of this Act;

14 (c) "Eligible taxpayer" has the same meaning as in Section 4 of this Act;

15 (d) "Federal low-income housing tax credit" has the same meaning as in  
 16 Section 4 of this Act; and

17 (e) "Qualified low-income housing project" has the same meaning as in 26  
 18 U.S.C. sec. 42.

19 (2) (a) For taxable years beginning on or after January 1, 2026, but before  
 20 January 1, 2030, there shall be allowed a nonrefundable, transferable  
 21 affordable housing credit allowed against the tax imposed in KRS 141.020  
 22 or 140.040 and 141.0401, with the ordering of the credit as provided in  
 23 Section 9 of this Act.

24 (b) The credit shall be:

25 1. Awarded by the corporation on a project specific basis;

26 2. Subject to the limits in Section 4 of this Act;

27 3. The total amount of credit awarded shall be claimed in the taxable

- 1                   year in which the qualified low-income housing project is placed in  
2                   service; and
- 3                   4. Available for carryforward for a period not to exceed ten (10)  
4                   consecutive years, after which any excess credit shall be lost.
- 5                   (3) The affordable housing credit shall not be used in conjunction with any other  
6                   credit established within this chapter for the construction or substantial  
7                   rehabilitation of a qualified low-income housing project.
- 8                   (4) If the eligible taxpayer is a pass-through entity, and the credit is not transferred  
9                   in accordance with subsection (5) of this section, the credit shall be distributed to  
10                   each partner, member, or shareholder in accordance with that partner's,  
11                   member's, or shareholder's distributive share for the taxable year in which credit  
12                   is awarded.
- 13                   (5) At the option of the eligible taxpayer, all or a portion of the credit may be  
14                   transferred or allocated to another party. The eligible taxpayer shall notify the  
15                   department within thirty (30) days of the date of transfer and include:
- 16                   (a) The name, address, and federal employer identification number of the party  
17                   to which the credits are transferred;
- 18                   (b) The amount of credit transferred; and
- 19                   (c) Any additional information the department may require.
- 20                   (6) If the federal low-income housing tax credit is recaptured, the same portion of  
21                   the state affordable housing credit shall also be recaptured in accordance with  
22                   Section 4 of this Act and repaid by the eligible taxpayer.
- 23                   (7) The recapture of the affordable housing credit shall be paid for the taxable year  
24                   in which the noncompliance occurred and shall be reflected as an increase in the  
25                   eligible taxpayer's tax liability. Additional tax, interest, and penalties shall be  
26                   assessed against the eligible taxpayer and not any transfer recipient.
- 27                   (8) In order to verify the affordable housing credit, the department may:

1        (a) Require a copy of the eligibility statement; and

2        (b) Work with the corporation.

3        (9) The department may promulgate administrative regulations in accordance with  
4        KRS Chapter 13A to implement policies and procedures that assist with the  
5        administration of this credit.

6        (10) (a) In order for the General Assembly to evaluate the effectiveness of the  
7        affordable housing credit, the department shall report to the Legislative  
8        Research Commission and the Interim Joint Committee on Appropriations  
9        and Revenue, on or before November 1, 2027, and on or before each  
10       November 1 thereafter, as long as the credit is claimed on a tax return:

11       1. The total number of returns claiming the affordable housing credit;

12       2. The location and name of each qualified low-income housing project;

13       3. The amount of credit claimed for each qualified low-income housing  
14       project, by county location of the low-income housing project;

15       4. The total amount of credit claimed for each taxable year for each  
16       qualified housing project; and

17       5. a. In the case of taxpayers other than corporations, based on  
18       ranges of adjusted gross income of no larger than five thousand  
19       dollars (\$5,000) for the taxable year, the total amount of credits  
20       claimed and the number of returns claiming a credit for each  
21       adjusted gross income range; and

22       b. In the case of all corporations, based on ranges of net income no  
23       larger than fifty thousand dollars (\$50,000) for the taxable year,  
24       the total amount of credit claimed and the number of returns  
25       claiming a credit for each net income range.

26       (b) The information required to be reported under this section 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 6. KRS 141.437 is repealed, reenacted, and amended to read as follows:

- 4                    (1) As used in this section:
- 5                    (a) "ENERGY STAR home" means any single-family residence that qualifies for  
 6                    and receives the ENERGY STAR ***certification***~~[label]~~ under the ***ENERGY***  
 7                    ***STAR Single Family New Homes***~~[ENERGY STAR]~~ Program administered  
 8                    by the United States Environmental Protection Agency;~~and]~~
- 9                    (b) "ENERGY STAR manufactured home" means a manufactured home as  
 10                    defined in KRS 100.348 that ***qualifies for and receives***~~[meets the ENERGY~~  
 11                    ~~STAR label]~~ ***ENERGY STAR certification*** under the ENERGY STAR  
 12                    ***Manufactured New Homes*** Program administered by the United States  
 13                    Environmental Protection Agency; ***and***
- 14                    ***(c) "ENERGY STAR multifamily building" means a multifamily building that***  
 15                    ***qualifies for and receives ENERGY STAR certification under the***  
 16                    ***Multifamily New Construction Program administered by the United States***  
 17                    ***Environmental Protection Agency.***
- 18                    (2) For taxable years beginning ***on or*** after ***January 1, 2026, but***~~[December 31, 2008,~~  
 19                    ~~and]~~ before January 1, ***2030***~~[2016]~~, there is hereby created a nonrefundable credit  
 20                    against the tax imposed by ***KRS 141.020 or*** KRS 141.040~~[,]~~ and KRS 141.0401,  
 21                    with the ordering of credits as provided in ***Section 9 of this Act,***~~[KRS 141.0205]~~ if  
 22                    a taxpayer:
- 23                    (a) ***Constructs***~~[Builds]~~ a new ENERGY STAR home located in the  
 24                    Commonwealth for use as a principal place of residence;~~or]~~
- 25                    (b) Sells a new ENERGY STAR manufactured home to a buyer who uses that  
 26                    home as a principal place of residence in the Commonwealth; ***or***
- 27                    ***(c) Constructs a new ENERGY STAR multifamily building located in the***



1 *Commonwealth for use of its units as principal places of residence.*

2 (3) The ~~tax~~ credit shall equal:

3 (a) *Two thousand five hundred dollars (\$2,500)*~~[Eight hundred dollars (\$800)]~~ if  
4 the taxpayer *constructs*~~[builds]~~ an ENERGY STAR home;~~[or]~~

5 (b) *One thousand seven hundred fifty dollars (\$1,750)*~~[Four hundred dollars~~  
6 ~~(\$400)]~~ if the taxpayer sells an ENERGY STAR manufactured home; *or*

7 *(c) Either:*

8 *1. Five hundred dollars (\$500) per dwelling if the taxpayer constructs an*  
9 *ENERGY STAR multifamily building; or*

10 *2. Two thousand five hundred dollars (\$2,500) per dwelling unit if the*  
11 *taxpayer constructs an ENERGY STAR multifamily building and*  
12 *qualifies for and receives federal credit under Section 45L(g) of the*  
13 *Internal Revenue Code in accordance with the prevailing wage*  
14 *requirement.*

15 (4) The ~~tax~~ credit provided under this section shall apply in the tax year in which the  
16 taxpayer completes ~~[construction of]~~ the:

17 *(a) Construction of the* ENERGY STAR home;~~[or]~~

18 *(b) Sale of*~~[Sells]~~ the ENERGY STAR manufactured home; *or*

19 *(c) Construction of the ENERGY STAR multifamily building.*

20 (5) The ~~tax~~ credit provided in this section shall not apply if:

21 (a) The ~~tax~~ credit has been previously taken by another taxpayer on the same  
22 ENERGY STAR home, ~~[or]~~ ENERGY STAR manufactured home, *or*  
23 *ENERGY STAR multifamily building; or*

24 (b) The taxpayer has taken the energy efficiency *credit*~~[tax credits]~~ provided in  
25 *Section 8 of this Act*~~[KRS 141.436]~~.

26 (6) The department may request:

27 *(a) Verification of the ENERGY STAR certification*~~[label]~~ placed on the home

1 or building;[;]

2 (b) Documentation that the inhabitant[buyer] is using the home or building as a  
3 principal place of residence;[;] and

4 (c) Any other information that the department determines is necessary to verify  
5 the credit[tax credits] taken.

6 (7) (a) In order for the General Assembly to evaluate the effectiveness of this  
7 credit, the department shall report to the Legislative Research Commission  
8 and the Interim Joint Committee on Appropriations and Revenue on or  
9 before November 1, 2027[December 1, 2010], and on or before each  
10 November 1[every December 1] thereafter as long as the credit is claimed on  
11 a return, the following;[; the department shall report to the Legislative  
12 Research Commission]

13 1. Based on the address on the return, the total amount of ENERGY  
14 STAR credit claimed, by county;

15 2. Based on the address on the return, the total number of returns filed  
16 claiming the ENERGY STAR credit, by county;

17 3. The aggregate total of all ENERGY STAR credits claimed for the  
18 taxable year; and

19 4. a. In the case of all taxpayers other than corporations, based on  
20 ranges of adjusted gross income of no larger than five thousand  
21 dollars (\$5,000) for the taxable year, the total amount of credit  
22 claimed and the total number of returns claiming this credit for  
23 each income range; and

24 b. In the case of all corporations, based on ranges of net income of  
25 no larger than fifty thousand dollars (\$50,000) for the taxable  
26 year, the total amount of credit claimed and the total number of  
27 returns claiming this credit for each income range.

1        *(b) The information required to be reported under this section shall not be*  
 2        *considered confidential taxpayer information and shall not be subject to*  
 3        *KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes*  
 4        *prohibiting disclosure or reporting of information*~~[the total number and~~  
 5        ~~gross amount of each type of credit claimed on returns processed during the~~  
 6        ~~fiscal year ending prior to the December reporting period].~~

7        ➔Section 7. KRS 141.435 is repealed, reenacted, and amended to read as follows:

8        As used in KRS 141.435 to 141.437:

- 9        (1) ~~["Active solar space heating system" means a system that:~~  
 10        ~~(a) Consists of solar energy collectors that collect and absorb solar radiation~~  
 11        ~~combined with electric fans or pumps to transfer and distribute that solar heat;~~  
 12        ~~(b) May include an energy storage space heating system to provide heat when the~~  
 13        ~~sun is not shining; and~~  
 14        ~~(c) Is installed by a certified installer;~~  
 15        ~~(2) "Certified installer" means an installer who has satisfied the professional~~  
 16        ~~certification standards established by the North American Board of Certified~~  
 17        ~~Energy Practitioners (NABCEP) and who has been certified as a NABCEP~~  
 18        ~~Certified Solar PV Installer or a NABCEP Certified Solar Thermal Installer;~~  
 19        ~~[(3) "Combined active solar space heating and water heating system" means a system~~  
 20        ~~that meets the requirements of both an active solar space heating system and a solar~~  
 21        ~~water heating system and is installed by a certified installer;]~~

22        *(2)[(4)] "Clean energy property" has the same meaning as used in Section 25D of*  
 23        *the Internal Revenue Code and includes expenditures for:*

- 24        *(a) Solar electric property;*  
 25        *(b) Solar water heating property;*  
 26        *(c) Fuel cell property;*  
 27        *(d) Small wind energy property;*

1 (e) Geothermal heat pump property; and

2 (f) Battery storage technology;

3 (3) "Commonwealth" means the Commonwealth of Kentucky;

4 (4)~~(5)~~ "Dwelling unit" includes a manufactured home as defined in KRS 100.348;

5 ~~[(6) "Energy efficient interior lighting system" means an interior lighting system that~~  
6 ~~meets the maximum reduction in lighting power density requirements for the~~  
7 ~~federal energy efficient commercial building deduction under 26 U.S.C. sec. 179D,~~  
8 ~~as in effect December 31, 2007;~~

9 ~~(7) "Energy efficient heating, cooling, ventilation, or hot water system" means a~~  
10 ~~heating, cooling, ventilation, or hot water system that meets the requirements for~~  
11 ~~the federal energy efficient commercial building deduction under 26 U.S.C.~~  
12 ~~sec. 179D, as in effect December 31, 2007;~~

13 ~~(8) "Energy efficient windows and storm doors" means windows and storm doors that~~  
14 ~~are:~~

15 ~~(a) ENERGY STAR labeled; and~~

16 ~~(b) Certified by the National Fenestration Rating Council as meeting the North Central~~  
17 ~~U.S. climate zone performance standards for U factor (nonsolar heat conductance),~~  
18 ~~solar heat gain coefficient, air leakage, visible light transmittance, and condensation~~  
19 ~~resistance;]~~

20 (5)~~(9)~~ "Energy efficiency improvements" has the same meaning as "qualified  
21 energy efficiency improvements" in Section 25C of the Internal Revenue Code;

22 (6) "ENERGY STAR" shall have the same meaning as in KRS 56.770;

23 (7)~~(10)~~ "Installed cost" means the following, less any discounts, rebates, sales tax,  
24 installation-assistance credits, name-referral allowances, or other similar reductions:

25 (a) The purchase cost of equipment, components, and associated design; and

26 (b) Labor costs properly allocable to the on-site preparation, assembly, and  
27 original installation of the property, including piping or wiring to interconnect

1           such property to the dwelling unit or commercial property; and  
2 ~~(8)~~~~(11)~~ *"Residential energy property expenditures" has the same meaning as in*  
3 *Section 25C of the Internal Revenue Code.*

4 ~~["Passive solar space heating system" means a system that:~~

5           ~~(a) Takes advantage of the warmth of the sun through the use of design features~~  
6 ~~such as large south-facing windows and materials in the floors or walls that absorb~~  
7 ~~warmth during the day and release that warmth at night;~~

8           ~~(b) Includes one (1) or more of the following designs:~~

9           ~~1. Direct gain which stores and slowly releases heat energy collected from the~~  
10 ~~sun shining directly into the building and warming materials such as tile or concrete;~~

11           ~~2. Indirect gain which uses materials that are located between the sun and the~~  
12 ~~living space such as a wall to hold, store, and release heat; or~~

13           ~~3. Isolated gain which collects warmer air from an area that is remote from the~~  
14 ~~living space, such as a sunroom attached to a house, and the warmer air flows naturally to~~  
15 ~~the rest of the house; and~~

16           ~~(c) Meets the guidelines and technical requirements for passive solar design~~  
17 ~~established by administrative regulation pursuant to KRS 141.436(7);~~

18           ~~(12) "Qualified energy property" means the following property that meets the~~  
19 ~~performance, quality, and certification standards of and that would have been eligible for~~  
20 ~~the federal tax credit for residential energy property expenditures under 26 U.S.C.~~  
21 ~~sec. 25C, as it existed on December 31, 2007:~~

22           ~~(a) An electric heat pump water heater;~~

23           ~~(b) An electric heat pump;~~

24           ~~(c) A closed loop geothermal heat pump;~~

25           ~~(d) An open loop geothermal heat pump;~~

26           ~~(e) A direct expansion (DX) geothermal heat pump;~~

27           ~~(f) A central air conditioner;~~

1 ~~(g) A natural gas, propane, or oil furnace or hot water heater;~~

2 ~~(h) A hot water boiler including outdoor wood-fired boiler units; or~~

3 ~~(i) An advanced main air circulating fan;~~

4 ~~(13) "Solar photovoltaic system" means a system for electricity generation that:~~

5 ~~(a) Includes solar photovoltaic panels, structural attachments, electrical wiring,~~  
6 ~~inverters for converting direct current output to alternating current, and appropriate~~  
7 ~~controls and safety measures for output monitoring;~~

8 ~~(b) Meets the requirements of Article 690 of the National Electrical Code;~~

9 ~~(c) Uses solar photovoltaic panels and inverters that are rated and listed by~~  
10 ~~Underwriters Laboratories; and~~

11 ~~(d) Is installed by a certified installer;~~

12 ~~(14) "Solar water heating system" means a system that:~~

13 ~~(a) Uses solar thermal energy to heat water;~~

14 ~~(b) 1. Is an indirect pressurized glycol system that uses propylene glycol; or~~

15 ~~2. Is an indirect drainback system that uses distilled water or propylene glycol;~~

16 ~~(c) Uses OG-100 solar thermal collectors that are:~~

17 ~~1. Certified by the Solar Rating and Certification Corporation; and~~

18 ~~2. Covered by a manufacturer's warranty of not less than five (5) years;~~

19 ~~(d) Is installed by a certified installer; and~~

20 ~~(e) Is warranted by the certified installer for a period of not less than two (2)~~  
21 ~~years;~~

22 ~~(15) "Upgraded insulation" means insulation with the following R-value ratings:~~

23 ~~(a) Attic insulation rated R-38 or higher;~~

24 ~~(b) Exterior wall, crawl space, and basement exterior wall insulation rated R-13~~  
25 ~~or higher; and~~

26 ~~(c) Floor insulation rated R-19 or higher; and~~

27 ~~(16) "Wind turbine" or "wind machine" means a turbine or machine used for~~

1 generating electricity that:

2 (a) ~~Is certified as meeting the United States Wind Industry Consensus Standards~~  
 3 ~~developed by the American Wind Energy Association in partnership with the United~~  
 4 ~~States Department of Energy;~~

5 (b) ~~Is covered by a manufacturer's warranty of not less than five (5) years;~~

6 (c) ~~Is in compliance with all relevant building codes, height restriction variances,~~  
 7 ~~other special code requirements, and zoning ordinances;~~

8 (d) ~~Has been installed in accordance with all building codes and all permits were~~  
 9 ~~received prior to the start of construction and installation;~~

10 (e) ~~Is in compliance with all applicable Federal Aviation Administration~~  
 11 ~~regulations;~~

12 (f) ~~Meets all requirements of Article 705 of the National Electrical Code for~~  
 13 ~~electrical components and installations; and~~

14 (g) ~~Is rated and listed by Underwriters Laboratories.]~~

15 ➔ Section 8. KRS 141.436 is repealed, reenacted, and amended to read as follows:

16 (1) (a) For taxable periods beginning on or after *January 1, 2026, but*~~[December 31,~~  
 17 ~~2008, and beginning]~~ before January 1, 2030~~[2016]~~, there is hereby created a  
 18 nonrefundable credit against the tax imposed under KRS 141.020~~[or 141.040,~~  
 19 ~~and KRS 141.0401]~~, with the ordering of credits as provided in *Section 9 of*  
 20 *this Act*~~[KRS 141.0205]. The credit shall apply if one (1) or more of the items~~  
 21 listed in paragraph (b) of this subsection is installed during the taxable year in  
 22 a dwelling unit located in the Commonwealth that is owned by the taxpayer  
 23 and used by the taxpayer as:

- 24 1. The taxpayer's principal place of residence; or  
 25 2. A single-family or multifamily residential rental unit.

26 (b) The tax credit shall equal thirty percent (30%) of the installed costs of:

- 27 1. *Clean energy property, not to exceed six hundred dollars*

- 1                    ~~(\$600)~~[Upgraded insulation, not to exceed one hundred dollars (\$100)];
- 2                    2.    **Energy efficiency improvements, not to exceed six hundred dollars**
- 3                    ~~(\$600)~~[Energy efficient windows and storm doors, not to exceed two
- 4                    hundred fifty dollars (\$250)]; or
- 5                    3.    **Residential energy property expenditures, not to exceed six hundred**
- 6                    **dollars (\$600)**[Qualified energy property, not to exceed two hundred
- 7                    fifty dollars (\$250)].

8                    (c) In no case shall the total credits provided under this subsection exceed **one**

9                    **thousand dollars (\$1,000)**[five hundred dollars (\$500)] per taxpayer, **per**

10                   **taxable year.**

11                   ~~(2) (a) For taxable years beginning after December 31, 2008, and beginning before~~

12                   ~~January 1, 2016, there is hereby created a nonrefundable credit against the tax~~

13                   ~~imposed under KRS 141.020 or 141.040, and KRS 141.0401, with the ordering of~~

14                   ~~credits as provided in KRS 141.0205, if one (1) or more of the items listed in~~

15                   ~~paragraph (b) of this subsection is installed during the taxable year on a dwelling~~

16                   ~~unit located in the Commonwealth, or on property located in the Commonwealth~~

17                   ~~that is owned and used by the taxpayer as commercial property.~~

18                   ~~(b) The tax credit shall equal:~~

19                   ~~1. Thirty percent (30%) of the installed costs of:~~

20                   ~~a. An active solar space heating system;~~

21                   ~~b. A passive solar space heating system;~~

22                   ~~c. A combined active solar space heating and water heating system;~~

23                   ~~d. A solar water heating system; and~~

24                   ~~e. A wind turbine or wind machine; or~~

25                   ~~2. Three dollars (\$3) per watt direct current (DC) of rated capacity of a solar~~

26                   ~~photovoltaic system.~~

27                   ~~(c) In no case shall the total tax credits provided in this subsection exceed:~~



- 1 ~~1.—Five hundred dollars (\$500) per taxpayer if installed on a dwelling unit located in~~  
2 ~~the Commonwealth that is owned by the taxpayer and used by the taxpayer as:~~
- 3 ~~a.—The taxpayer's principal place of residence; or~~  
4 ~~b.—A single family residential rental unit; or~~
- 5 ~~2.—One thousand dollars (\$1,000) per taxpayer if installed on property located in the~~  
6 ~~Commonwealth that is owned and used by the taxpayer as:~~
- 7 ~~a.—A multifamily residential rental unit; or~~  
8 ~~b.—Commercial property;~~
- 9 ~~(3) (a) For taxable years beginning after December 31, 2008, and beginning before~~  
10 ~~January 1, 2016, there is hereby created a nonrefundable credit against the tax~~  
11 ~~imposed under KRS 141.020 or 141.040, and KRS 141.0401, with the ordering of~~  
12 ~~credits as provided in KRS 141.0205, if one (1) or more of the following is installed~~  
13 ~~during the taxable year on property located in the Commonwealth that is owned and~~  
14 ~~used by the taxpayer as commercial property:~~
- 15 ~~1.—An energy efficient interior lighting system; and~~  
16 ~~2.—An energy efficient heating, cooling, ventilation, or hot water system.~~
- 17 ~~(b) The tax credit shall equal thirty percent (30%) of the installed costs of:~~
- 18 ~~1.—An energy efficient interior lighting system, not to exceed five hundred dollars~~  
19 ~~(\$500) per taxpayer; and~~
- 20 ~~2.—An energy efficient heating, cooling, ventilation, or hot water system, not to exceed~~  
21 ~~five hundred dollars (\$500) per taxpayer.~~
- 22 ~~(c) In no case shall the total tax credits provided in this subsection exceed one thousand~~  
23 ~~dollars (\$1,000) per taxpayer.~~
- 24 ~~(d) For purposes of the tax credit provided by this subsection, "commercial property"~~  
25 ~~shall not include single family or multifamily residential units.~~
- 26 ~~(4) The tax credits provided under this section shall apply in the tax year in which the~~  
27 ~~installation is completed. If the credit cannot be taken in full in the year in which~~

1 the installation is completed, the tax credit may be carried forward one (1) year.

2 ~~(3)~~~~(5)~~ The department may request copies of invoices, purchase receipts, installation  
3 contracts, proof of installer's NABCEP certification, and any other information that  
4 the department determines necessary to verify credits taken.

5 ~~(4)~~~~(6)~~ If the taxpayer has taken the ENERGY STAR home, ~~for~~ the ENERGY  
6 STAR manufactured home, or the ENERGY STAR multifamily building ~~tax~~  
7 ~~credit provided under Section 6 of this Act~~~~[KRS 141.437]~~, the tax credits provided  
8 under this section shall not apply.

9 ~~(5)~~~~(7)~~ The department shall establish, by administrative regulation, the guidelines  
10 and technical requirements for items that are eligible for the tax credits provided  
11 under subsection (2) of this section, including but not limited to requirements for  
12 capacity, siting, plumbing, collector mountings, and pressurization. The department  
13 shall enlist the assistance, cooperation, and recommendations of the Office of  
14 Energy Policy and the Kentucky Pollution Prevention Center at the University of  
15 Louisville in determining those guidelines and technical requirements and may  
16 enlist their assistance in evaluating the eligibility of credits taken under this section.

17 ~~(6)~~~~(8)~~ (a) In order for the General Assembly to evaluate the effectiveness of this  
18 credit, the department shall report to the Legislative Research Commission  
19 and the Interim Joint Committee on Appropriations and Revenue on or  
20 before November 1, 2027, and on or before each November 1 thereafter as  
21 long as the credit is claimed on a return the following:

22 1. The total number of taxpayers claiming the energy efficiency credit;

23 2. The total amount of energy efficiency credit claimed;

24 3. The aggregate total of all energy efficiency credit claimed for the  
25 taxable year; and

26 4. Based on ranges of adjusted gross income of no larger than five  
27 thousand dollars (\$5,000) for the taxable year, the total amount of

1 credit claimed and the total number of returns claiming this credit for  
2 each income range.

3 (b) The information required to be reported under this section shall not be  
4 considered confidential taxpayer information and shall not be subject to  
5 KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes  
6 prohibiting disclosure or reporting of information~~[On or before December 1,~~  
7 ~~2010, and on or before every December 1 thereafter, the department shall~~  
8 ~~report to the Legislative Research Commission the total number and gross~~  
9 ~~amount of each type of tax credit claimed on returns processed during the~~  
10 ~~fiscal year ending prior to the December reporting date].~~

11 ➔Section 9. KRS 141.0205 is amended to read as follows:

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

15 (1) The nonrefundable business incentive credits against the tax imposed by KRS  
16 141.020 shall be taken in the following order:

- 17 (a) The limited liability entity tax credit permitted by KRS 141.0401;
- 18 (b) The economic development credits computed under KRS 141.347, 141.381,  
19 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and  
20 154.12-2088;
- 21 (c) The qualified farming operation credit permitted by KRS 141.412;
- 22 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 23 (e) The health insurance credit permitted by KRS 141.062;
- 24 (f) The tax paid to other states credit permitted by KRS 141.070;
- 25 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 26 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 27 (i) The ~~tax~~ credit for cash contributions in 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 under 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 ~~credit~~<sup>credits</sup> permitted by **Section 8 of this Act**~~[KRS~~  
12          ~~141.436]~~;
- 13          (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 14          (s) The Endow Kentucky credit permitted by KRS 141.438;
- 15          (t) The New Markets Development Program credit permitted by KRS 141.434;
- 16          (u) The distilled spirits credit permitted by KRS 141.389;
- 17          (v) The angel investor credit permitted by KRS 141.396;
- 18          (w) The film industry credit permitted by KRS 141.383 for applications approved  
19          on or after April 27, 2018, but before January 1, 2022;
- 20          (x) The inventory credit permitted by KRS 141.408;
- 21          (y) The renewable chemical production credit permitted by KRS 141.4231;~~and]~~
- 22          (z) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;
- 23          **(aa) The affordable housing credit permitted by Section 5 of this Act; and**
- 24          **(ab) The ENERGY STAR credit permitted by Section 6 of this Act;**
- 25          (2) After the application of the nonrefundable credits in subsection (1) of this section,  
26          the nonrefundable personal tax credits against the tax imposed by KRS 141.020  
27          shall be taken in the following order:

- 1 (a) The individual credits permitted by KRS 141.020(3);
- 2 (b) The credit permitted by KRS 141.066;
- 3 (c) The tuition credit permitted by KRS 141.069;
- 4 (d) The household and dependent care credit permitted by KRS 141.067;
- 5 (e) The income gap credit permitted by KRS 141.066; and
- 6 (f) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS
- 7 141.522;
- 8 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 9 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 10 taken in the following order:
- 11 (a) The individual withholding tax credit permitted by KRS 141.350;
- 12 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 13 (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
- 14 171.397(1)(b);
- 15 (d) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications
- 16 approved prior to April 27, 2018, or on or after January 1, 2022;
- 17 (e) The development area ~~tax~~ credit permitted by KRS 141.398;
- 18 (f) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
- 19 (g) The pass-through entity tax credit permitted by KRS 141.209;
- 20 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
- 21 tax imposed by KRS 141.040;
- 22 (5) The following nonrefundable credits shall be applied against the sum of the tax
- 23 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
- 24 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 25 (a) The economic development credits computed under KRS 141.347, 141.381,
- 26 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and
- 27 154.12-2088;

- 1 (b) The qualified farming operation credit permitted by KRS 141.412;
- 2 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 3 (d) The health insurance credit permitted by KRS 141.062;
- 4 (e) The unemployment credit permitted by KRS 141.065;
- 5 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 6 (g) The coal conversion credit permitted by KRS 141.041;
- 7 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
- 8 ending prior to January 1, 2008;
- 9 (i) The ~~tax~~ credit for cash contributions to investment funds permitted by KRS
- 10 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
- 11 154.20-258;
- 12 (j) The research facilities credit permitted by KRS 141.395;
- 13 (k) The employer High School Equivalency Diploma program incentive credit
- 14 permitted by KRS 151B.402;
- 15 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 16 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 17 (n) The clean coal incentive credit permitted by KRS 141.428;
- 18 (o) The ethanol credit permitted by KRS 141.4242;
- 19 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 20 ~~{(q) The energy efficiency credits permitted by KRS 141.436;}~~
- 21 (q)~~{(r)}~~ The ENERGY STAR ~~{home or ENERGY STAR manufactured home}~~
- 22 credit permitted by Section 6 of this Act~~{KRS 141.437}~~;
- 23 (r)~~{(s)}~~ The railroad maintenance and improvement credit permitted by KRS
- 24 141.385;
- 25 (s)~~{(t)}~~ The railroad expansion credit permitted by KRS 141.386;
- 26 (t)~~{(u)}~~ The Endow Kentucky credit permitted by KRS 141.438;
- 27 (u)~~{(v)}~~ The New Markets Development Program credit permitted by KRS

1 141.434;

2 ~~(v)~~~~(w)~~ The distilled spirits credit permitted by KRS 141.389;

3 ~~(w)~~~~(x)~~ The film industry credit permitted by KRS 141.383 for applications  
4 approved on or after April 27, 2018, but before January 1, 2022;

5 ~~(x)~~~~(y)~~ The inventory credit permitted by KRS 141.408;

6 ~~(y)~~~~(z)~~ The renewable chemical production ~~{tax}~~credit permitted by KRS  
7 141.4231;

8 ~~(z)~~~~(aa)~~ The Education Opportunity Account Program ~~{tax}~~credit permitted by  
9 KRS 141.522;~~{and}~~

10 ~~(aa)~~~~(ab)~~ The qualified broadband investment ~~{tax}~~credit permitted by KRS  
11 141.391; and

12 **(ab) The affordable housing credit permitted by Section 5 of this Act; and**

13 (6) After the application of the nonrefundable credits in subsection (5) of this section,  
14 the refundable credits shall be taken in the following order:

15 (a) The corporation estimated tax payment credit permitted by KRS 141.044;

16 (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and  
17 171.397(1)(b);

18 (c) The film industry ~~{tax}~~credit permitted by KRS 141.383 for applications  
19 approved prior to April 27, 2018, or on or after January 1, 2022;

20 (d) The decontamination ~~{tax}~~credit permitted by KRS 141.419; and

21 (e) The pass-through entity tax credit permitted by KRS 141.209.

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

23 (1) No present or former commissioner or employee of the department, present or  
24 former member of a county board of assessment appeals, present or former property  
25 valuation administrator or employee, present or former secretary or employee of the  
26 Finance and Administration Cabinet, former secretary or employee of the Revenue  
27 Cabinet, or any other person, shall intentionally and without authorization inspect

1 or divulge any information acquired by him or her of the affairs of any person, or  
2 information regarding the tax schedules, returns, or reports required to be filed with  
3 the department or other proper officer, or any information produced by a hearing or  
4 investigation, insofar as the information may have to do with the affairs of the  
5 person's business.

- 6 (2) The prohibition established by subsection (1) of this section shall not extend to:
- 7 (a) Information required in prosecutions for making false reports or returns of  
8 property for taxation, or any other infraction of the tax laws;
  - 9 (b) Any matter properly entered upon any assessment record, or in any way made  
10 a matter of public record;
  - 11 (c) Furnishing any taxpayer or his or her properly authorized agent with  
12 information respecting his or her own return;
  - 13 (d) Testimony provided by the commissioner or any employee of the department  
14 in any court, or the introduction as evidence of returns or reports filed with the  
15 department, in an action for violation of state or federal tax laws or in any  
16 action challenging state or federal tax laws;
  - 17 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or  
18 energy resources assessed under KRS 132.820, or owners of surface land  
19 under which the unmined minerals lie, factual information about the owner's  
20 property derived from third-party returns filed for that owner's property, under  
21 the provisions of KRS 132.820, that is used to determine the owner's  
22 assessment. This information shall be provided to the owner on a confidential  
23 basis, and the owner shall be subject to the penalties provided in KRS  
24 131.990(2). The third-party filer shall be given prior notice of any disclosure  
25 of information to the owner that was provided by the third-party filer;
  - 26 (f) Providing to a third-party purchaser pursuant to an order entered in a  
27 foreclosure action filed in a court of competent jurisdiction, factual



- 1 information related to the owner or lessee of coal, oil, gas reserves, or any  
 2 other mineral resources assessed under KRS 132.820. The department may  
 3 promulgate an administrative regulation establishing a fee schedule for the  
 4 provision of the information described in this paragraph. Any fee imposed  
 5 shall not exceed the greater of the actual cost of providing the information or  
 6 ten dollars (\$10);
- 7 (g) Providing information to a licensing agency, the Transportation Cabinet, or  
 8 the Kentucky Supreme Court under KRS 131.1817;
- 9 (h) Statistics of gasoline and special fuels gallonage reported to the department  
 10 under KRS 138.210 to 138.448;
- 11 (i) Providing any utility gross receipts license tax return information that is  
 12 necessary to administer the provisions of KRS 160.613 to 160.617 to  
 13 applicable school districts on a confidential basis;
- 14 (j) Providing documents, data, or other information to a third party pursuant to an  
 15 order issued by a court of competent jurisdiction;
- 16 (k) Publishing administrative writings on its official website in accordance with  
 17 KRS 131.020(1)(b); or
- 18 (l) Providing information to the Legislative Research Commission under:
- 19 1. KRS 139.519 for purposes of the sales and use tax refund on building  
 20 materials used for disaster recovery;
- 21 2. Section 8 of this Act~~[KRS 141.436]~~ for purposes of the energy  
 22 efficiency products credits;
- 23 3. Section 6 of this Act~~[KRS 141.437]~~ for purposes of the ENERGY  
 24 STAR credit~~[home and the ENERGY STAR manufactured home~~  
 25 ~~credits]~~;
- 26 4. KRS 141.383 for purposes of the film industry incentives;
- 27 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization

- 1                    ~~credit~~~~[tax credits]~~ and the job assessment fees;
- 2                    6.    KRS 141.068 for purposes of the Kentucky investment fund;
- 3                    7.    KRS 141.396 for purposes of the angel investor ~~[tax]~~credit;
- 4                    8.    KRS 141.389 for purposes of the distilled spirits credit;
- 5                    9.    KRS 141.408 for purposes of the inventory credit;
- 6                    10.   KRS 141.390 for purposes of the recycling and composting
- 7                    ~~credits~~~~[credit]~~;
- 8                    11.   KRS 141.3841 for purposes of the selling farmer ~~[tax]~~credit;
- 9                    12.   KRS 141.4231 for purposes of the renewable chemical production ~~[tax]~~
- 10                    ~~credit~~;
- 11                    13.   KRS 141.524 for purposes of the Education Opportunity Account
- 12                    Program ~~[tax]~~credit;
- 13                    14.   KRS 141.398 for purposes of the development area ~~[tax]~~credit;
- 14                    15.   KRS 139.516 for ~~the~~ purposes of the sales and use tax **exemptions**
- 15                    **for**~~[exemption on]~~ the commercial mining of cryptocurrency;
- 16                    16.   KRS 141.419 for purposes of the decontamination ~~[tax]~~credit;
- 17                    17.   KRS 141.391 for purposes of the qualified broadband investment ~~[tax]~~
- 18                    ~~credit;~~~~[and]~~
- 19                    18.   KRS 139.499 for purposes of the sales **and use** tax
- 20                    **exemptions**~~[exemption]~~ for a qualified data center project; **and**
- 21                    **19. Section 5 of this Act for purposes of the affordable housing credit.**
- 22                    (3)   The commissioner shall make available any information for official use only and on
- 23                    a confidential basis to the proper officer, agency, board or commission of this state,
- 24                    any Kentucky county, any Kentucky city, any other state, or the federal
- 25                    government, under reciprocal agreements whereby the department shall receive
- 26                    similar or useful information in return.
- 27                    (4)   Access to and inspection of information received from the Internal Revenue Service

1 is for department use only, and is restricted to tax administration purposes.  
 2 Information received from the Internal Revenue Service shall not be made available  
 3 to any other agency of state government, or any county, city, or other state, and  
 4 shall not be inspected intentionally and without authorization by any present  
 5 secretary or employee of the Finance and Administration Cabinet, commissioner or  
 6 employee of the department, or any other person.

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

12 (6) Notwithstanding any provision of law to the contrary, beginning with mine-  
 13 map submissions for the 1989 tax year, the department may make public or  
 14 divulge only those portions of mine maps submitted by taxpayers to the  
 15 department pursuant to KRS Chapter 132 for ad valorem tax purposes that  
 16 depict the boundaries of mined-out parcel areas. These electronic maps shall  
 17 not be relied upon to determine actual boundaries of mined-out parcel areas.  
 18 Property boundaries contained in mine maps required under KRS Chapters  
 19 350 and 352 shall not be construed to constitute land surveying or boundary  
 20 surveys as defined by KRS 322.010 and any administrative regulations  
 21 promulgated thereto.

22 ➔Section 11. KRS 142.400 is amended to read as follows:

23 (1) As used in Sections 11 to 14 of this Act~~[this section]~~:

24 (a) **"Department" means the Department of Revenue;**

25 (b) "Person" has the same meaning as in KRS 91A.345; and

26 (c)~~[(b)]~~ "Rent" has the same meaning as in KRS 91A.345.

27 (2) (a) A statewide transient room tax shall be imposed at a rate of one percent (1%)

1 of the rent for every occupancy of any suite, room, rooms, cabins, lodgings,  
2 campsites, or other accommodations charged by any hotel, motel, inn, tourist  
3 camp, tourist cabin, campgrounds, recreational vehicle parks, or other place in  
4 which accommodations are regularly furnished to transients for a  
5 consideration.

6 (b) If ~~or by~~ any person ~~that~~ facilitates the rental of the accommodations  
7 subject to tax imposed under paragraph (a) of this subsection by brokering,  
8 coordinating, or in any other way arranging for the rental of the  
9 accommodations for consideration that person is responsible for collecting  
10 and remitting the tax imposed under this subsection.

11 (3) (a) A surtax shall be imposed in addition to the tax levied in subsection (2) of  
12 this section at the rate of one percent (1%) of the rent charged by the owner  
13 of the property.

14 (b) If any person facilitates the rental of the accommodations subject to tax  
15 imposed under paragraph (a) of this subsection by brokering, coordinating,  
16 or in any other way arranging for the rental of the accommodations for  
17 consideration that person is responsible for collecting and remitting the  
18 surtax imposed under this subsection.

19 (c) The surtax shall not be imposed on the rental of accommodations charged  
20 by any hotel, motel, inn, tourist camp, tourist cabin, campground, or  
21 recreational vehicle park.

22 (d) All tax receipts from the surtax imposed under this subsection shall be  
23 deposited in the affordable housing trust fund established in KRS 198A.710  
24 to provide additional resources to fund the activities outlined in KRS  
25 198A.715.

26 (4)~~(3)~~ As used in this section~~subsection~~, rent shall not include any other local or  
27 state taxes paid by the person or entity renting the accommodations.

1 ~~(5)~~~~(4)~~ The tax imposed by subsection ~~(2)~~~~(1)~~ of this section **and the surtax imposed**  
2 **by subsection (3) of this section** shall not apply to **rentals**~~rooms, lodgings,~~  
3 ~~campsites, or accommodations supplied~~ for a continuous period of thirty (30) days  
4 or more to a person.

5 ➔Section 12. KRS 142.402 is amended to read as follows:

6 (1) On or before the twentieth day of every month, a taxpayer subject to the tax  
7 provided in **subsection (2) of Section 11 of this Act and the surtax provided in**  
8 **subsection (3) of Section 11 of this Act**~~[KRS 142.400]~~ shall submit a return and the  
9 **taxes**~~[tax]~~ due for the preceding month to the **department**~~[Department of Revenue]~~,  
10 in a form prescribed by the department. To facilitate administration, the department  
11 may permit or require returns or tax payments for other periods. Upon written  
12 request received on or before the due date, the department may extend the filing or  
13 tax payment due date up to thirty (30) days.

14 (2) The **department**~~[Department of Revenue]~~ shall examine and audit each return as  
15 soon as practicable after it is received. If the tax computed by the department is  
16 greater than the tax paid by the taxpayer, the department shall assess the excess  
17 within four (4) years from the filing deadline, including any extensions granted. If  
18 the taxpayer failed to file a return or filed a fraudulent return, then the excess may  
19 be assessed at any time.

20 (3) A taxpayer may request a refund or credit for any overpayment of tax under  
21 **subsection (2) of Section 11 of this Act**~~[KRS 142.400]~~ within four (4) years after  
22 the tax due date, including any extensions granted. The request shall be made to the  
23 **department**~~[Department of Revenue]~~ in writing and shall state the amount  
24 requested, the applicable period, the basis for the request, and any other information  
25 the department reasonably requires.

26 (4) Any tax not paid on or before its due date shall bear interest at the tax interest rate  
27 provided in KRS 131.183 from the date due until the date of payment. If an

1 extension is granted, and the tax is not paid within the extension period, then  
2 interest shall accrue from the original due date.

3 ➔Section 13. KRS 142.404 is amended to read as follows:

4 Notwithstanding any other provision of law to the contrary, the president, vice president,  
5 secretary, treasurer, manager, partner, or any other person holding any equivalent office  
6 or position in any corporation, limited liability company, limited liability partnership, or  
7 limited liability limited partnership subject to KRS 142.400 and 142.402 shall be  
8 personally and individually liable, both jointly and severally, for the tax imposed under  
9 subsection (2) of Section 11 of this Act and the surtax imposed under subsection (3) of  
10 Section 11 of this Act~~[KRS 142.400]~~. Dissolution, withdrawal of the corporation, limited  
11 liability company, limited liability partnership, or limited liability limited partnership  
12 from the state, or the cessation of holding any office shall not discharge the liability of  
13 any person. The liability shall attach at the time the tax or surtax becomes or became  
14 due. No person shall be held liable under this section if the person did not have authority  
15 to collect, truthfully account for, or pay over the tax or surtax at the time it became due.  
16 "Taxes" as used in this section shall include interest accrued under KRS 131.183 and all  
17 applicable penalties imposed under this chapter or KRS 131.180, 131.410 to 131.445, and  
18 131.990.

19 ➔Section 14. KRS 142.406 is amended to read as follows:

20 (1) There is hereby created and established in the State Treasury a trust and agency  
21 account to be known as the tourism, meeting, and convention marketing fund. The  
22 fund shall be administered by the Tourism, Arts and Heritage Cabinet, with the  
23 approval of the Governor's Office for Policy and Management.

24 (2) All tax receipts from the tax imposed under subsection (2) of Section 11 of this  
25 Act~~[KRS 142.400]~~ shall be deposited into the tourism, meeting, and convention  
26 marketing fund, and shall be used~~[appropriated]~~ for the purposes set forth in  
27 subsection (3) of this section. The fund shall also contain any other money

1 contributed, allocated, or appropriated to it from any other source. Money in the  
2 fund shall be invested by the Finance and Administration Cabinet in instruments  
3 authorized under KRS 42.500. Investment proceeds shall be deposited to the credit  
4 of the fund. Money in the fund shall not lapse but shall be carried forward to the  
5 next fiscal year or biennium.

6 (3) The tourism, meeting, and convention marketing fund shall be used for the sole  
7 purpose of marketing and promoting tourism in the Commonwealth including  
8 expenditures to market and promote events and venues related to meetings,  
9 conventions, trade shows, cultural activities, historical sites, recreation,  
10 entertainment, natural phenomena, areas of scenic beauty, craft marketing, and any  
11 other economic activity that brings tourists and visitors to the Commonwealth.  
12 Marketing and promoting tourism shall not include expenditures on capital  
13 construction projects.

14 (4) By September 1 of each year, the secretary of the Tourism, Arts and Heritage  
15 Cabinet shall report to the Governor and the Legislative Research Commission  
16 concerning the receipts, expenditures, and carryforwards of the fund for the  
17 preceding fiscal year.

18 ➔Section 15. KRS 198A.190 is amended to read as follows:

19 The corporation is authorized to accept and expend such moneys as may be appropriated  
20 from time to time by the General Assembly or such moneys as may be received from any  
21 source including *the statewide transient room surtax imposed under subsection (3) of*  
22 *Section 11 of this Act*, income from the corporation's operations, for effectuating its  
23 corporate purposes including, without limitation, the payment of the initial expenses of  
24 administration and operation and the establishment of a reserve or contingency fund to be  
25 available for the payment of the principal of and the interest on any bonds or notes of the  
26 corporation.

27 ➔Section 16. KRS 139.480 is amended to read as follows:

- 1 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at  
2 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not  
3 include the sale, use, storage, or other consumption of:
- 4 (1) Locomotives or rolling stock, including materials for the construction, repair, or  
5 modification thereof, or fuel or supplies for the direct operation of locomotives and  
6 trains, used or to be used in interstate commerce;
  - 7 (2) Coal for the manufacture of electricity;
  - 8 (3) (a) All energy or energy-producing fuels used in the course of manufacturing,  
9 processing, mining, or refining and any related distribution, transmission, and  
10 transportation services for this energy that are billed to the user, to the extent  
11 that the cost of the energy or energy-producing fuels used, and related  
12 distribution, transmission, and transportation services for this energy that are  
13 billed to the user exceed three percent (3%) of the cost of production.  
14 (b) Cost of production shall be computed on the basis of a plant facility, which  
15 shall include all operations within the continuous, unbroken, integrated  
16 manufacturing or industrial processing process that ends with a product  
17 packaged and ready for sale.  
18 (c) A person who performs a manufacturing or industrial processing activity for a  
19 fee and does not take ownership of the tangible personal property that is  
20 incorporated into, or becomes the product of, the manufacturing or industrial  
21 processing activity is a toller. For periods on or after July 1, 2018, the costs of  
22 the tangible personal property shall be excluded from the toller's cost of  
23 production at a plant facility with tolling operations in place as of July 1,  
24 2018.  
25 (d) For plant facilities that begin tolling operations after July 1, 2018, the costs of  
26 tangible personal property shall be excluded from the toller's cost of  
27 production if the toller:



- 1           1.   Maintains a binding contract for periods after July 1, 2018, that governs  
2           the terms, conditions, and responsibilities with a separate legal entity,  
3           which holds title to the tangible personal property that is incorporated  
4           into, or becomes the product of, the manufacturing or industrial  
5           processing activity;
- 6           2.   Maintains accounting records that show the expenses it incurs to fulfill  
7           the binding contract that include but are not limited to energy or energy-  
8           producing fuels, materials, labor, procurement, depreciation,  
9           maintenance, taxes, administration, and office expenses;
- 10          3.   Maintains separate payroll, bank accounts, tax returns, and other records  
11          that demonstrate its independent operations in the performance of its  
12          tolling responsibilities;
- 13          4.   Demonstrates one (1) or more substantial business purposes for the  
14          tolling operations germane to the overall manufacturing, industrial  
15          processing activities, or corporate structure at the plant facility. A  
16          business purpose is a purpose other than the reduction of sales tax  
17          liability for the purchases of energy and energy-producing fuels; and
- 18          5.   Provides information to the department upon request that documents  
19          fulfillment of the requirements in subparagraphs 1. to 4. of this  
20          paragraph and gives an overview of its tolling operations with an  
21          explanation of how the tolling operations relate and connect with all  
22          other manufacturing or industrial processing activities occurring at the  
23          plant facility;
- 24   (4)   Livestock of a kind the products of which ordinarily constitute food for human  
25          consumption, provided the sales are made for breeding or dairy purposes and by or  
26          to a person regularly engaged in the business of farming;
- 27   (5)   Poultry for use in breeding or egg production;

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

- 1           designed and used to move or transport a combine head; and
- 2       (c) Does not include:
- 3           1.   Automobiles;
- 4           2.   Trucks;
- 5           3.   Trailers, except combine header trailers; or
- 6           4.   Truck-trailer combinations;
- 7   (12) Tombstones and other memorial grave markers;
- 8   (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing,
- 9       or handling. The exemption applies to the equipment, machinery, attachments,
- 10       repair and replacement parts, and any materials incorporated into the construction,
- 11       renovation, or repair of the facilities;
- 12   (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption
- 13       shall apply to the equipment, machinery, attachments, repair and replacement parts,
- 14       and any materials incorporated into the construction, renovation, or repair of the
- 15       facilities. The exemption shall apply but not be limited to vent board equipment,
- 16       waterer and feeding systems, brooding systems, ventilation systems, alarm systems,
- 17       and curtain systems. In addition, the exemption shall apply whether or not the seller
- 18       is under contract to deliver, assemble, and incorporate into real estate the
- 19       equipment, machinery, attachments, repair and replacement parts, and any materials
- 20       incorporated into the construction, renovation, or repair of the facilities;
- 21   (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively
- 22       and directly to:
- 23       (a) Operate farm machinery as defined in subsection (11) of this section;
- 24       (b) Operate on-farm grain or soybean drying facilities as defined in subsection
- 25           (13) of this section;
- 26       (c) Operate on-farm poultry or livestock facilities defined in subsection (14) of
- 27       this section;

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

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

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

1 production of hides, breeding stock, meat, and buffalo by-products, and the  
2 following items used in this pursuit:

3 (a) Feed and feed additives;

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

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

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

17 (a) Feed and feed additives;

18 (b) Water;

19 (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
20 and

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

1 and systems; and alarm systems. In addition, the exemption shall apply  
2 whether or not the seller is under contract to deliver, assemble, and  
3 incorporate into real estate the equipment, machinery, attachments, repair and  
4 replacement parts, and any materials incorporated into the construction,  
5 renovation, or repair of the facilities;

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

9 (a) Feed and feed additives;

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

11 (c) On-site facilities, including equipment, machinery, attachments, repair and  
12 replacement parts, and any materials incorporated into the construction,  
13 renovation, or repair of the facilities. In addition, the exemption shall apply  
14 whether or not the seller is under contract to deliver, assemble, and  
15 incorporate into real estate the equipment, machinery, attachments, repair and  
16 replacement parts, and any materials incorporated into the construction,  
17 renovation, or repair of the facilities;

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

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



1 granted by the United States Department of Transportation.

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

10 (32) Food donated by a retail food establishment or any other entity regulated under  
11 KRS 217.127 to a nonprofit organization for distribution to the needy;

12 (33) Drugs and over-the-counter drugs, as defined in KRS 139.472, that are purchased  
13 by a person regularly engaged in the business of farming and used in the treatment  
14 of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, buffalo, aquatic  
15 organisms, or cervids;

16 (34) (a) Building materials, fixtures, or supplies purchased by a construction  
17 contractor if:

18 1. Fulfilled by a construction contract for a sewer or water project with:

19 a. A municipally owned water utility organized under KRS Chapter  
20 96;

21 b. A water district or water commission formed or organized under  
22 KRS Chapter 74;

23 c. A sanitation district established under KRS Chapter 220 or formed  
24 pursuant to KRS Chapter 65;

25 d. A nonprofit corporation created under KRS 58.180 to act on behalf  
26 of a governmental agency in the acquisition and financing of  
27 public projects;

- 1 e. Regional wastewater commissions formed under KRS Chapter  
2 278;
- 3 f. A municipally owned joint sewer agency formed under KRS  
4 Chapter 76; or
- 5 g. Any other governmental agency; and
- 6 2. The building materials, fixtures, or supplies:
- 7 a. Will be permanently incorporated into a structure or improvement  
8 to real property, or will be completely consumed, in fulfilling a  
9 construction contract for the purpose of furnishing water or sewer  
10 services to the general public; and
- 11 b. Would be exempt if purchased directly by the entities listed in  
12 subparagraph 1. of this paragraph.
- 13 (b) As used in this subsection, "construction contract" means a:
- 14 1. Lump sum contract;
- 15 2. Cost plus contract;
- 16 3. Materials only contract;
- 17 4. Labor and materials contract; or
- 18 5. Any other type of contract.
- 19 (c) The exemption provided in this subsection shall apply without regard to the  
20 payment arrangement between the construction contractor, the retailer, and  
21 the entities listed in paragraph (a)1. of this subsection or to the place of  
22 delivery for the building materials, fixtures, or supplies;
- 23 (35) (a) On or after February 25, 2022, the rental of space for meetings, conventions,  
24 short-term business uses, entertainment events, weddings, banquets, parties,  
25 and other short-term social events, as referenced in KRS 139.200, if the tax  
26 established in KRS 139.200 is paid by the primary lessee to the lessor.
- 27 (b) For the purpose of this subsection, "primary lessee" means the person who

1 leases the space and who has a contract with the lessor of the space only if:

2 1. The contract between the lessor and the lessee specifies that the lessee  
3 may sublease, subrent, or otherwise sell the space; and

4 2. The space is then sublet, subrented, or otherwise sold to exhibitors,  
5 vendors, sponsors, or other entities and persons who will use the space  
6 associated with the event to be conducted under the primary lease;

7 (36) Prewritten computer software access services sold to or purchased by a retailer that  
8 develops prewritten computer software for print technology and uses and sells  
9 prewritten computer software access services for print technology;

10 (37) (a) Currency or bullion.

11 (b) As used in this subsection:

12 1. "Bullion":

13 a. Means bars, ingots, or coins, which are:

14 i. Made of gold, silver, platinum, palladium, or a combination  
15 of these metals;

16 ii. Valued based on the content of the metal and not its form;  
17 and

18 iii. Used, or have been used, as a medium of exchange, security,  
19 or commodity by any state, the United States government, or  
20 a foreign nation; and

21 b. Does not include medallions or coins that are incorporated into a  
22 pendant or other jewelry; and

23 2. "Currency":

24 a. Means a coin or currency made of gold, silver, platinum,  
25 palladium, or other metal or paper money that is or has been used  
26 as legal tender and is sold based on its value as a collectible item  
27 rather than the value as a medium of exchange; and

1                   b. Does not include a coin or currency that has been incorporated into  
2   jewelry;~~and~~

3 (38) Medicinal cannabis as defined in KRS 218B.010 when sold, used, stored, or  
4                   consumed in accordance with KRS Chapter 218B; and

5 **(39) On and after July 1, 2025, and before July 1, 2036, new modular homes and new**  
6 **manufactured homes as defined in KRS 132.010 to be:**

7 **(a) Used as a single-family residence; and**

8 **(b) Permanently attached to real estate prior to occupancy.**

9                   ➔Section 17. KRS 132.810 is amended to read as follows:

10 (1) To qualify under the homestead exemption provision of the Constitution, each  
11 person claiming the exemption shall file an application with the property valuation  
12 administrator of the county in which the applicant resides, on forms prescribed by  
13 the department. The assessed value of property on which homestead exemption is  
14 claimed shall not be increased because of valuation expressed on the application  
15 form filed with the property valuation administrator, and whenever it becomes  
16 known that the valuation of property subject to the homestead tax exemption has  
17 been increased because of valuation expressed on the application form, adjustment  
18 shall be made the following year so that the total tax paid by the taxpayer is the  
19 same as if the increase had not been made.

20 (2) (a) Every person filing an application for exemption under the homestead  
21 exemption provision must be sixty-five (65) years of age or older during the  
22 year for which application is made or must have been classified as totally  
23 disabled under a program authorized or administered by an agency of the  
24 United States government or by any retirement system either within or  
25 without the Commonwealth of Kentucky on January 1 of the year in which  
26 application is made.

27 (b) Every person filing an application for exemption under the homestead

1 exemption provision must own and maintain the property for which the  
2 exemption is sought as his *or her* personal residence.

3 (c) Every person filing an application for exemption under the disability  
4 provision of the homestead exemption must have received disability payments  
5 pursuant to the disability and must maintain the disability classification for the  
6 entirety of the particular taxation period.

7 (d) 1. Every person filing for the homestead exemption who is totally disabled  
8 and is less than sixty-five (65) years of age must apply for the  
9 homestead exemption on an annual basis, except as provided by  
10 subparagraph 2. of this paragraph.

11 2. a. A service-connected totally disabled veteran of the United States  
12 Armed Forces; or

13 b. A totally and permanently disabled individual found disabled  
14 under:

15 i. The applicable rules of the Social Security Administration;

16 ii. The applicable rules of the Kentucky Retirement Systems; or

17 iii. Any other provision of the Kentucky Revised Statutes;

18 shall document the disability at the time of application for the  
19 homestead exemption and shall not be required to apply for the  
20 homestead exemption on an annual basis.

21 (e) 1. Only one (1) exemption per residential unit shall be allowed even  
22 though the resident may be sixty-five (65) years of age and also totally  
23 disabled, and regardless of the number of residents sixty-five (65) years  
24 of age or older occupying the unit.

25 2. The sixty-five hundred dollars (\$6,500) exemption provided in Section  
26 170 of the Constitution of Kentucky shall be construed to mean sixty-  
27 five hundred dollars (\$6,500) in terms of the purchasing power of the

1                   dollar in 1972.

2                   3. **a.** Every two (2) years thereafter **through December 31, 2025**, if the  
3                   cost of living index of the United States Department of Labor has  
4                   changed as much as one percent (1%), the maximum exemption  
5                   shall be adjusted accordingly.

6                   **b. Beginning January 1, 2026, and every January 1 thereafter, if**  
7                   **the cost of living index of the United States Department of Labor**  
8                   **has changed as much as one percent (1%), the maximum**  
9                   **exemption shall be adjusted accordingly.**

10                  (f) The real property may be held by legal or equitable title, by the entireties,  
11                  jointly, in common, as a condominium, or indirectly by the stock ownership  
12                  or membership representing the owner's or member's proprietary interest in a  
13                  corporation owning a fee or a leasehold initially in excess of ninety-eight (98)  
14                  years. The exemption shall apply only to the value of the real property  
15                  assessable to the owner or, in case of ownership through stock or membership  
16                  in a corporation, the value of the proportion which his **or her** interest in the  
17                  corporation bears to the assessed value of the property.

18                  (g) A mobile home, recreational vehicle, when classified as real property as  
19                  provided for in KRS 132.751, or a manufactured house shall qualify as a  
20                  residential unit for purposes of the homestead exemption provision.

21                  (h) When title to property which is exempted, either in whole or in part, under the  
22                  homestead exemption is transferred, the owner, administrator, executor,  
23                  trustee, guardian, conservator, curator, or agent shall report **the**~~[such]~~ transfer  
24                  to the property valuation administrator.

25                  (3) Notwithstanding any statutory provisions to the contrary, the provisions of this  
26                  section shall apply to the assessment and taxation of property under the homestead  
27                  exemption provision for state, county, city, or special district purposes.

- 1 (4) (a) The homestead exemption for disabled persons shall terminate whenever  
 2 those persons no longer meet the total disability classification at the end of the  
 3 taxation period for which the homestead exemption has been granted. In no  
 4 case shall the exemption be prorated for persons who maintained the total  
 5 disability classification at the end of the taxation period.
- 6 (b) Any totally disabled person granted the homestead exemption under the  
 7 disability provision shall report any change in disability classification to the  
 8 property valuation administrator in the county in which the homestead  
 9 exemption is authorized.
- 10 (c) Any person making application and qualifying for the homestead exemption  
 11 before payment of his or her property tax bills for the year in question shall  
 12 be entitled to a full or partial exoneration, as the case may be, of the property  
 13 tax due to reflect the taxable assessment after allowance for the homestead  
 14 exemption.
- 15 (d) Any person making application and qualifying for the homestead exemption  
 16 after property tax bills have been paid shall be entitled to a refund of the  
 17 property taxes applicable to the value of the homestead exemption.
- 18 (5) In this section, "taxation period" means the period from January 1 through  
 19 December 31 of the year in which application is made, unless the person  
 20 maintaining the classification dies before December 31, in which case "taxation  
 21 period" means the period from January 1 to the date of death.

22 ➔SECTION 18. A NEW SECTION OF KRS CHAPTER 100 IS CREATED TO  
 23 READ AS FOLLOWS:

24 **(1) For purposes of this section unless context otherwise requires:**

25 **(a) "Affordable housing development" means a proposed or existing structure,**  
 26 **or group of structures, in which all single-family or multifamily residential**  
 27 **dwelling units within the development are set aside for or are occupied by**

1 low-income households at a rent amount that does not exceed thirty percent  
2 (30%) of the income limit for the low-income housing unit;

3 (b) "Low-income household" means a single person, family, or unrelated  
4 persons living together whose adjusted income is less than eighty percent  
5 (80%) of the median family income, adjusted for household size, for the  
6 area where the affordable housing development is located as set out by the  
7 United States Department of Housing and Urban Development;

8 (c) "Religious developer" means a religious institution or any property  
9 developer working contractually on behalf of a religious institution, but  
10 shall not include any developer that owes outstanding amounts to the local  
11 government as the result of fines resulting from ordinance violations, has  
12 an active lien placed by the local government on property owned by the  
13 institution, or is actively committing any ordinance violation; and

14 (d) "Religious institution" means a bona fide church, religious denomination,  
15 or religious organization, determined by the Internal Revenue Service to be  
16 tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

17 (2) In an area that has adopted zoning regulations, an affordable housing  
18 development that is developed by a religious developer shall be permitted in all  
19 zones that allow for residential use and shall be subject only to a ministerial  
20 review by a planning unit for compliance with this subsection and subsection (3)  
21 of this section, if the following conditions are met:

22 (a) The development is located on property owned by a religious institution  
23 beginning from a date at least two (2) years prior to the time of application  
24 to the planning unit, and then throughout the duration of the obligation in  
25 paragraph (c) of this subsection;

26 (b) The development exclusively contains affordable housing units for low-  
27 income households. This requirement shall not apply to dwellings



- 1           associated with the primary use of the religious institution;
- 2           (c) The obligation to provide dwelling units meeting the requirements of this  
3           section shall last for a period of ten (10) years from the date of the  
4           certificate of occupancy or, if a certificate of occupancy is not required,  
5           from the date of the final building permit inspection. This obligation shall  
6           be recorded in a legally binding agreement or deed restriction, and a report  
7           shall be submitted annually to the certifying planning unit that the  
8           requirements of this section are met for the property;
- 9           (d) The development contains twenty-five (25) or fewer units;
- 10          (e) The development would not lead to more than twenty-five (25) affordable  
11          housing units being located on that parcel, any contiguous parcel owned by  
12          the religious institution, or cumulatively on parcels owned by the religious  
13          institution within one-half (1/2) mile of the development; and
- 14          (f) The religious developer has obtained all other permits, including building  
15          permits, as required by law.
- 16          (3) (a) If the zoning regulations adopted in the jurisdiction where an affordable  
17          housing development established pursuant to this section include design  
18          requirements such as size, width, height, and location of structures for  
19          residential developments, the affordable housing development shall comply  
20          with those design requirements.
- 21          (b) Notwithstanding paragraph (a) of this subsection, the religious developer  
22          may apply for a variance from one (1) or more of those design requirements  
23          from the planning unit. The planning unit shall be empowered to hear and  
24          finally decide an application consistent with KRS 100.241 and 100.243.
- 25          (4) If an affordable housing development established pursuant to this section no  
26          longer meets the requirements in subsections (2) and (3) of this section, the  
27          property owner shall seek all approvals for the development from the planning

1 unit that would be required for a developer that did not utilize the provisions of  
2 this section.

3 (5) A religious institution may propose an affordable housing development that does  
4 not meet the requirements in subsection (2)(e) of this section, but otherwise meets  
5 the requirements in subsections (2) and (3) of this section. An affordable housing  
6 development proposed under this subsection shall require a public meeting, with  
7 final approval by the planning commission.

8 (6) The Kentucky Housing Corporation may provide technical and advisory  
9 resources to a religious developer to assist with the development and management  
10 of an affordable housing development under this section.

11 ➔SECTION 19. A NEW SECTION OF KRS CHAPTER 383 IS CREATED TO  
12 READ AS FOLLOWS:

13 (1) On or after the effective date of this Act, in proceedings for forcible entry or  
14 detainer:

15 (a) If the case is dismissed, the court shall order the record expunged upon the  
16 expiration of sixty (60) days; or

17 (b) If the forcible detainer is entered, the court shall order the record expunged  
18 upon the expiration of three (3) years.

19 The order expunging the records shall not require any action by the person.

20 (2) After the expungement, the following shall occur:

21 (a) Proceedings in the matter shall be deemed never to have occurred;

22 (b) The court and other agencies shall delete or remove the records from their  
23 computer systems so that any official state background check will indicate  
24 that the records do not exist;

25 (c) The court and other agencies shall reply to it inquiry that no record exists  
26 on the matter; and

27 (d) The person whose record is expunged shall not have to disclose the fact of

1 the record or any matter relating to it on an application for employment,  
 2 credit, or other type of application.

3 (3) If an unemancipated minor is improperly named as a defendant in a forcible  
 4 detainer action:

5 (a) That person;

6 (b) His or her parent or guardian; or

7 (c) Any other defendant named in the order;

8 may, at any time, petition the court to expunge the name of the minor from the  
 9 order.

10 (4) If the court finds that the person was an unemancipated minor at the time the  
 11 order was entered, the court shall expunge the name of the minor. An  
 12 expungement pursuant to this subsection shall be effective immediately.

13 ➔Section 20. KRS 383.250 is amended to read as follows:

14 (1) The clerk of the court shall carefully preserve all papers, records, files, and  
 15 proceedings[,-] relating to the cause[-; and shall deliver, to any person requiring it, a  
 16 transcript thereof].

17 (2) The papers, records, files and proceedings of the court shall not be open to  
 18 inspection by persons other than parties to such proceedings and their attorneys  
 19 except under order of the court expressly permitting inspection.

20 (3) Upon the entry of the final order in the case, the clerk shall place all papers,  
 21 records, files, and proceedings from the case in a suitable envelope which shall be  
 22 sealed and shall not be open for inspection without a written order of the court.

23 ➔Section 21. KRS 198A.027 is amended to read as follows:

24 ~~[(1) Notwithstanding any statute, administrative regulation, or common law to the~~  
 25 ~~contrary, -] Appropriations from the general fund, any restricted fund, or the road~~  
 26 ~~fund may[shall not] be expended by any state or local officer, official, employee, or~~  
 27 ~~agency for any initiatives to provide permanent housing to homeless individuals[-if~~

1 those initiatives lack behavioral and rehabilitative requirements. Behavioral and  
 2 rehabilitative requirements shall at a minimum include requirements that the  
 3 initiative facilitate appropriate treatment of any mental health conditions or  
 4 substance use disorders and prohibit criminal activity.

5 ~~(2) This section shall not apply to statutorily created housing programs or to domestic  
 6 violence shelters as defined in KRS 511.085].~~

7 ➔Section 22. KRS 42.580 is amended to read as follows:

8 As used in KRS 42.580 to 42.588:

- 9 (1) "Cabinet" means the Finance and Administration Cabinet;
- 10 (2) "Demand-side management" has the same meaning as in KRS 278.010;
- 11 (3) "Energy audit" has the same meaning as in KRS 56.770;
- 12 (4) "Energy-efficient heating, cooling, ventilation, or hot water system" **means a**  
 13 **heating, cooling, ventilation, or hot water system that meets the requirements for**  
 14 **the federal energy-efficient commercial building deduction under 26 U.S.C. sec.**  
 15 **179D, as in effect December 31, 2007**~~[has the same meaning as in KRS 141.435];~~
- 16 (5) "Energy-efficient interior lighting system" **means an interior lighting system that**  
 17 **meets the maximum reduction in lighting power density requirements for the**  
 18 **federal energy efficient commercial building deduction under 26 U.S.C. sec.**  
 19 **179D, as in effect December 31, 2007**~~[has the same meaning as in KRS 141.435];~~
- 20 (6) "Energy-efficient windows and storm doors" **means windows and storm doors that**  
 21 **are:**  
 22 **(a) ENERGY STAR-labeled; and**  
 23 **(b) Certified by the National Fenestration Rating Council as meeting the**  
 24 **North-Central U.S. climate zone performance standards for U-factor**  
 25 **(nonsolar heat conductance), solar heat gain coefficient, air leakage,**  
 26 **visible-light transmittance, and condensation resistance**~~[has the same  
 27 meaning as in KRS 141.435];~~

- 1 (7) "Engineered demand-side management project" means a project undertaken to  
2 reduce the amount of energy consumed in an existing structure, including but not  
3 limited to:
- 4 (a) Energy-efficient heating, cooling, ventilation, or hot water systems;
  - 5 (b) Energy-efficient interior lighting systems;
  - 6 (c) Energy-efficient windows and storm doors;
  - 7 (d) Qualified energy property;
  - 8 (e) Upgraded insulation;
  - 9 (f) Solar water-heating systems; and
  - 10 (g) Any other energy conservation measures that will reduce energy costs,  
11 including those that will use solar power, either active or passive;
- 12 (8) "Private sector building" means a building owned by a private retail, commercial, or  
13 industrial business;
- 14 (9) "Public sector building" means a building owned by the Commonwealth of  
15 Kentucky, any public university of the Commonwealth, or any public community  
16 college of the Commonwealth;
- 17 (10) "Qualified energy property" means the following property that meets the  
18 performance, quality, and certification standards of and that would have been  
19 eligible for the federal tax credit for residential energy property expenditures  
20 under 26 U.S.C. sec.25C, as it existed on December 31, 2007:
- 21 (a) An electric pump water heater;
  - 22 (b) An electric heat pump;
  - 23 (c) A closed loop geothermal heat pump;
  - 24 (d) An open look geothermal heat pump;
  - 25 (e) A direct expansion (DX) geothermal heat pump;
  - 26 (f) A central air conditioner;
  - 27 (g) A natural gas, propane, or oil furnace or hot water heater;

- 1        **(h) A hot water boiler including outdoor wood-fired boiler units; or**  
 2        **(i) An advanced main air circulating fan**~~has the same meaning as in KRS~~  
 3            ~~141.435];~~  
 4        (11) "Simple payback period" has the same meaning as in KRS 56.770;  
 5        (12) "Solar water-heating system" **means a system that:**  
 6            **(a) Uses solar-thermal energy to heat water;**  
 7            **(b) Is an indirect:**  
 8                **1. Pressurized glycol system that uses propylene glycol; or**  
 9                **2. Drainback system that uses distilled water or propylene glycol;**  
 10          **(c) Uses OG-100 solar thermal collectors that are:**  
 11                **1. Certified by the Solar Rating and Certification Corporation; and**  
 12                **2. Covered by a manufacturer's warranty of not less than five (5) years;**  
 13          **(d) Is installed by a certified installer; and**  
 14          **(e) Is warranted by the certified installer for a period of not less than two (2)**  
 15            **years**~~has the same meaning as in KRS 141.435]; and~~  
 16        (13) "Upgraded insulation" **means insulation with the following R-value ratings:**  
 17            **(a) Attic insulation rated R-38 or higher;**  
 18            **(b) Exterior wall, crawl space, and basement exterior wall insulation rated R-13**  
 19                **or higher; and**  
 20            **(c) Floor insulation rated R-19 or higher**~~has the same meaning as in KRS~~  
 21                ~~141.435].~~

22        ➔Section 23. The following KRS sections are repealed:

- 23        65.874 Local ordinance or regulation prohibiting refusal to lease or rent housing based  
 24            on federal housing assistance program funds as source of income disallowed.  
 25        383.198 Prohibition against landlord or tenant ordinance in conflict with state law.

26        ➔Section 24. It is the intent of the General Assembly to allocate infrastructure  
 27            funding in the 2026-2032 Highway Construction Plan to projects that will boost housing

1 development. These funds will focus on areas already in the planning stages of housing  
2 projects to reduce costs and speed up development, with an emphasis on rural  
3 communities. High infrastructure costs are a major barrier to affordable housing,  
4 particularly in rural areas where such infrastructure is often underdeveloped. Potential  
5 challenges include funding being concentrated in high-demand urban areas, which could  
6 leave rural communities underserved. To address this, funds should prioritize regions  
7 with the greatest need, especially rural areas, and include plans for long-term  
8 maintenance to ensure sustainability.

9       ➔Section 25. There is hereby appropriated General Fund moneys from the  
10 Budget Reserve Trust Fund Account established by KRS 48.705 in the amount of  
11 \$100,000,000 in fiscal year 2025-2026 to the Affordable Housing Loan Pool Fund for the  
12 purposes set forth in Section 1 of this Act.

13       ➔Section 26. There is hereby appropriated General Fund moneys from the  
14 Budget Reserve Trust Fund Account established by KRS 48.705 in the amount of  
15 \$2,000,000 in fiscal year 2025-2026 to the Homelessness Prevention Fund for the  
16 purposes set forth in Section 2 of this Act.

17       ➔Section 27. There is hereby appropriated General Fund moneys from the  
18 Budget Reserve Trust Fund Account established by KRS 48.705 in the amount of  
19 \$2,000,000 in fiscal year 2025-2026 to the Housing Development Fund for the purposes  
20 set forth in Section 3 of this Act.

21       ➔Section 28. Sections 11 to 15 of this Act take effect July 1, 2025.