

1 AN ACT relating to revenue measures and declaring an emergency.

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

3 ➔Section 1. KRS 139.450 is amended to read as follows:

4 (1) It shall be presumed that:

5 (a) Tangible personal property shipped or brought to this state by the purchaser;{
6 ~~or~~}

7 (b) Digital property delivered or transferred electronically into this state; or

8 (c) A service provided to a purchaser in this state;

9 was purchased from a retailer for storage, use, or other consumption in this state.

10 (2) (a) A marketplace provider that makes retail sales on its own behalf or facilitates
11 retail sales of tangible personal property, digital property, or services that are
12 delivered, ~~for~~ transferred electronically, or provided to a purchaser in this
13 state for one (1) or more marketplace retailers that in any sales combination
14 exceeds one hundred thousand dollars (\$100,000) ~~for reaches two hundred~~
15 ~~(200) or more separate transactions in the immediately preceding calendar~~
16 ~~year or current calendar year~~ shall be subject to this section.

17 (b) The marketplace provider shall:

18 1. Register for a sales and use tax permit number to report and remit the
19 tax due; and

20 2. Collect tax imposed under this chapter;
21 no later than the first day of the calendar month that is at the most sixty (60)
22 days after the ~~either~~ threshold in paragraph (a) of this subsection is reached.

23 (c) The marketplace provider may register for:

24 1. A single sales and use tax permit number to report and remit all the tax
25 due on the marketplace provider's direct sales and sales the marketplace
26 provider facilitates for one (1) or more marketplace retailers; or

27 2. a. One (1) sales and use tax permit number to report and remit the tax

- 1 due on the marketplace provider's direct sales; and
- 2 b. One (1) additional sales and use tax permit number to report and
- 3 remit the tax due on all sales the marketplace provider facilitates
- 4 for one (1) or more marketplace retailers.
- 5 (d) 1. If the marketplace provider elects to report and remit the tax due on a
- 6 single sales and use tax permit number as provided in paragraph (c)1. of
- 7 this subsection, the marketplace provider shall, upon request of the
- 8 department, provide a separate breakdown of receipts from the
- 9 marketplace provider's direct sales and the sales the marketplace
- 10 provider facilitates for the preceding fiscal year ending June 30.
- 11 2. The department may request the breakdown of receipts no more than
- 12 once annually.
- 13 (e) The marketplace provider shall collect Kentucky tax on the entire sales price
- 14 or purchase price paid by a purchaser on each retail sale subject to tax under
- 15 this chapter that is made on its own behalf or that is facilitated by the
- 16 marketplace provider, regardless of whether the seller would have been
- 17 required to collect the tax had the retail sale not been facilitated by the
- 18 marketplace provider.
- 19 (3) Nothing in this section shall be construed to relieve the marketplace provider of
- 20 liability for collecting but failing to remit the taxes imposed under this chapter.
- 21 (4) (a) The marketplace provider shall be subject to audit on all sales made on its
- 22 own behalf and on all sales facilitated by the marketplace provider.
- 23 (b) The marketplace retailer shall be relieved of all liability for the collection and
- 24 remittance of the sales or use tax on sales facilitated by the marketplace
- 25 provider.
- 26 (5) No class action may be brought against a marketplace provider on behalf of
- 27 purchasers arising from or in any way related to an overpayment of tax collected by

1 the marketplace provider.

2 ➔Section 2. KRS 131.183 is amended to read as follows:

- 3 (1) (a) Except for the addition to tax required when an underpayment of estimated
4 tax occurs under KRS 141.044 and 141.305, all taxes payable to the
5 Commonwealth not paid at the time prescribed by statute shall accrue interest
6 at the tax interest rate.
- 7 (b) 1. a. Except as provided by subparagraph 2 of this paragraph, the tax
8 interest rate shall be equal to the adjusted prime rate charged by
9 banks rounded to the nearest full percent as adjusted by subsection
10 (2) of this section.
- 11 b. The commissioner of revenue shall adjust the tax interest rate not
12 later than November 15 of each year if the adjusted prime rate
13 charged by banks during September of that year, rounded to the
14 nearest full percent, is at least one (1) percentage point more or
15 less than the tax interest rate which is then in effect. The adjusted
16 tax interest rate shall become effective on January 1 of the
17 immediately succeeding year.
- 18 2. For additional tax billed in accordance with KRS 136.180(2), the tax
19 interest rate shall be equal to the federal short-term rate applicable to
20 each quarter of the period that begins on the date the protest was filed by
21 the taxpayer under KRS 131.110 and ends on the due date of the tax as
22 stated on the final tax bill. The federal short-term rate for each quarter
23 shall be the federal short-term rate determined by the Secretary of the
24 Treasury under Section 6621(b) of the Internal Revenue Code of 1986
25 or equivalent section in case of amendment. The two percent (2%)
26 adjustment provided by subsection (2)(a) of this section shall not apply
27 to the interest rate determined under this subparagraph.

- 1 (2) (a) ~~1. All taxes payable to the Commonwealth that have not been paid at the~~
2 ~~time prescribed by statute shall accrue interest at the tax interest rate as~~
3 ~~determined in accordance with subsection (1) of this section until May 1,~~
4 ~~2008.~~
- 5 ~~2. Beginning on May 1, 2008,]~~All taxes payable to the Commonwealth
6 that have not been paid at the time prescribed by statute shall accrue
7 interest at the tax interest rate as determined in accordance with
8 subsection (1) of this section plus two percent (2%).
- 9 (b) 1. ~~Interest shall be allowed and paid upon any overpayment as defined in~~
10 ~~KRS 134.580 in respect of any of the taxes provided for in Chapters~~
11 ~~131, 132, 134, 136, 137, 138, 139, 140, 141, 142, 143, 143A, and 243 of~~
12 ~~the Kentucky Revised Statutes and KRS 160.613 and 160.614 at the rate~~
13 ~~provided in subsection (1) of this section until May 1, 2008.~~
- 14 ~~2. Beginning on May 1, 2008,]~~Interest shall be allowed and paid upon any
15 overpayment as defined in KRS 134.580 at the rate provided in
16 subsection (1) of this section minus two percent (2%).
- 17 ~~2. [3.] [Effective for refunds issued after April 24, 2008,]~~Except for the
18 provisions of KRS 138.351, 141.044(2), ***and*** 141.235(3)~~],]~~ and
19 subsection (3) of this section, interest authorized under this subsection
20 shall begin to accrue sixty (60) days after the latest of:
- 21 a. The due date of the return;
22 b. The date the return was filed;
23 c. The date the tax was paid;
24 d. The last day prescribed by law for filing the return; or
25 e. The date an amended return claiming a refund is filed.
- 26 (c) In no case shall interest be paid in an amount less than five dollars (\$5).
- 27 (d) ~~A [No]~~ refund shall ***not*** be made of any estimated tax paid unless:

- 1 do not apply to the taxes imposed under KRS 141.040 and 141.0401;
- 2 (c) The addition to tax identified by 26 U.S.C. sec. 6655(a) shall instead be
- 3 considered a penalty under KRS 131.180;
- 4 (d) The tax interest rate identified under KRS 131.183 shall be used to determine
- 5 the underpayment rate instead of the rate under 26 U.S.C. sec. 6621;
- 6 (e) Any waiver of penalties shall be performed as provided in KRS 131.175; and
- 7 (f) 1. A refund of taxes collected under this section shall include interest at the
- 8 tax interest rate as defined in KRS 131.010~~[(6)]~~.
- 9 2. Interest shall not begin to accrue until ninety (90) days after the latest of:
- 10 a. The due date of the return;
- 11 b. The date the return was filed;
- 12 c. The date the tax was paid;
- 13 d. The last day prescribed by law for filing the return; or
- 14 e. The date an amended return claiming a refund is filed.
- 15 3. ~~A~~~~No~~ refund shall ***not*** be made of any estimated tax paid unless:
- 16 ***a. i. Application is made by the taxpayer or officer authorized to***
- 17 ***make the request on a form prescribed by the department;***
- 18 ***and***
- 19 ***ii. It is determined that the estimated tax was paid to the***
- 20 ***department in error; or***
- 21 ***b.*** A return is filed as required by this chapter.
- 22 (3) The department may promulgate administrative regulations ***in accordance with***
- 23 ***KRS Chapter 13A*** to implement this section.
- 24 ➔Section 4. KRS 96.895 is amended to read as follows:
- 25 (1) As used in this section, unless the context requires otherwise:
- 26 (a) "Book value" means original cost unadjusted for depreciation as reflected in
- 27 the TVA's books of account;

- 1 (b) "Fund" means the regional development agency assistance fund established in
2 subsection (4) of this section;
- 3 (c) "Fund-eligible county" means one (1) of Adair, Allen, Ballard, Barren, Bell,
4 Butler, Caldwell, Calloway, Carlisle, Christian, Clinton, Cumberland,
5 Edmonson, Fulton, Graves, Grayson, Harlan, Hart, Henderson, Hickman,
6 Livingston, Logan, Lyon, Marshall, McCracken, McCreary, Metcalfe,
7 Monroe, Muhlenberg, Ohio, Russell, Simpson, Todd, Trigg, Union, Warren,
8 Wayne, Webster, or Whitley Counties;
- 9 (d) "Regional development agency" or "agency" means a special purpose
10 governmental entity as defined in KRS 65A.010(9) that is designated by a
11 fiscal court to receive a payment pursuant to this section;
- 12 (e) "TVA" means the Tennessee Valley Authority; and
- 13 (f) "TVA property" means land owned by the United States and in the custody of
14 the TVA, together with improvements that have a fixed situs on the land,
15 including work in progress but excluding temporary construction facilities, if
16 these improvements either:
- 17 1. Were in existence when title to the land on which they are situated was
18 acquired by the United States; or
 - 19 2. Are allocated by the TVA or determined by it to be allocable to power.
20 However, manufacturing machinery as interpreted by the Department of
21 Revenue for franchise tax determination; ash disposal systems; and coal
22 handling facilities, including railroads, cranes and hoists, and crushing
23 and conveying equipment, shall be excluded.
- 24 (2) Book value shall be determined, for purposes of applying this section, as of the June
25 30 used by the TVA in computing the annual payment to the Commonwealth that is
26 subject to redistribution by the Commonwealth.
- 27 (3) Except for payments made directly by the TVA to counties, the total fiscal year

1 payment received by the Commonwealth of Kentucky from the TVA, as authorized
2 by Section 13 of the Tennessee Valley Authority Act, as amended, shall be prorated
3 thirty percent (30%) to the general fund of the Commonwealth and seventy percent
4 (70%) among counties, cities, and school districts, as provided in subsections (6)
5 and (7) of this section.

6 (4) (a) The regional development agency assistance fund is hereby established in the
7 State Treasury.

8 (b) The fund shall be administered by the Department for Local Government for
9 the purpose of providing funding to agencies that are designated to receive
10 funding in a given fiscal year by the fiscal court of each fund-eligible county
11 through the Regional Development Agency Assistance Program established in
12 KRS 96.905.

13 (c) The fund shall only receive the moneys transferred from the general fund
14 pursuant to subsection (5) of this section.

15 (d) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close
16 of the fiscal year shall not lapse but shall be carried forward into the
17 succeeding fiscal year. Any interest earnings of the fund shall become a part
18 of the fund and shall not lapse.

19 (5) (a) For fiscal years beginning on or after July 1, 2020, a portion of the total fiscal
20 year payment received by the Commonwealth that is allocated to the general
21 fund shall be transferred from the general fund to the regional development
22 agency assistance fund established in subsection (4) of this section.

23 (b) This portion shall be equal to six million dollars (\$6,000,000).

24 (c) Distribution of these moneys shall be made by dividing the amount in
25 paragraph (b) of this subsection equally among each fund-eligible county.

26 (6) The payment to each county, city, and school district shall be determined by the
27 proportion that the book value of TVA property in such taxing district, multiplied

1 by the current tax rate, bears to the total of the book values of TVA property in all
2 such taxing districts in the Commonwealth, multiplied by their respective tax rates.
3 However, for purposes of this calculation, each public school district shall have its
4 tax rate increased by thirty cents (\$0.30).

5 (7) (a) As soon as practicable after the amount of payment to be made to the
6 Commonwealth is finally determined by the TVA, the Department of
7 Revenue shall determine the book value of TVA property in each county, city,
8 and school district and shall prorate the payments allocated to counties, cities,
9 and school districts under subsection (3) of this section among the distributees
10 as provided in subsection (6) of this section.

11 (b) The Department of Revenue shall:

- 12 1. Certify the payment due each county, city, and school district, including
13 the amount distributed to the county under subsection (5) of this section,
14 to the Finance and Administration Cabinet; and
- 15 2. Notify the Department for Local Government of that certification.

16 (c) Upon certification by the Department of Revenue, the Finance and
17 Administration Cabinet shall make the payment to such district.

18 (8) In each fiscal year, after the Department of Revenue has calculated the prorated
19 payment amount that is due to each county, city, and school district under
20 subsections (6) and (7) of this section, the Department for Local Government shall
21 notify in writing the fiscal court of each fund-eligible county regarding the amount
22 that the county, city, and school district shall receive for the fiscal year, including
23 the amount distributed to the county under subsection (5) of this section.

24 (9) No amount shall be taken from the fund to pay administrative expenses by the
25 Department for Local Government.

26 (10) All agencies receiving funds under this section shall provide a written report
27 annually, no later than October 1, to the fiscal court that designated it for payment

1 and to the Department for Local Government~~Interim Joint Committee on~~
 2 ~~Appropriations and Revenue~~. The report shall describe how the funds were
 3 expended and the results of the use of funds in terms of economic development and
 4 job creation.

5 **(11) No later than December 1 of each year, the Department for Local Government**
 6 **shall report to the Legislative Research Commission for referral to the Interim**
 7 **Joint Committee on Appropriations and Revenue the total amount of funds**
 8 **distributed to each agency for the fiscal year, how each agency expended the**
 9 **funds, and the results of the use of funds in terms of economic development and**
 10 **job creation.**

11 ➔Section 5. KRS 154.30-030 is amended to read as follows:

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

20 **(b) 1. The programs under paragraph (a) of this subsection shall sunset on**
 21 **the effective date of this section of this Act, and new applications shall**
 22 **not be submitted or considered for approval after the effective date of**
 23 **this section of this Act.**

24 **2. Projects approved prior to the effective date of this section of this Act**
 25 **shall continue to be governed in accordance with the tax incentive**
 26 **agreement's terms and conditions as set forth in KRS 154.30-070.**

27 **3. Tax incentive agreements related to the programs under paragraph (a)**

1 of this subsection shall not be amended or have activation date
2 extensions approved by the Commonwealth after the effective date of
3 this section of this Act.

- 4 (2) (a) A city or county that has established a development area pursuant to KRS
5 65.7049, 65.7051, and 65.7053, or an agency designated as the entity
6 managing a development area established pursuant to KRS 65.7049, 65.7051,
7 and 65.7053, may submit an application to the authority requesting that the
8 Commonwealth participate in a project, before the effective date of this
9 section of this Act.
- 10 1. The application shall identify the specific program under which state
11 participation is being requested and shall include the following
12 attachments, in addition to any requirements developed by the authority
13 pursuant to paragraph (b) of this subsection:
- 14 a. A copy of the ordinance adopted by the city or county establishing
15 the development area;
- 16 b. A copy of the local participation agreement; and
- 17 c. Data and information supporting the determinations and findings
18 required by KRS 65.7049.
- 19 2. The staff of the authority shall review the application to determine if the
20 applicant has met all of the statutory and regulatory requirements
21 established by this subchapter and shall notify the applicant in writing of
22 its determination. This review shall be preliminary in nature and shall
23 not constitute approval of the request. All applications for participation
24 by the Commonwealth shall be reviewed by the authority for approval.
- 25 3. a. Applications meeting all statutory and regulatory requirements
26 requesting participation by the Commonwealth pursuant to KRS
27 154.30-040, along with any supporting materials, shall be referred

- 1 by the staff of the authority to the authority for consideration.
- 2 b. i. Applicants meeting all statutory and regulatory requirements
3 requesting participation by the Commonwealth pursuant to
4 KRS 154.30-050(3)(b) or 154.30-060 shall be required to
5 submit a report prepared by an independent consultant or
6 financial adviser as described in subsection (6) of this section
7 for the application to be complete. The staff of the authority
8 shall notify the applicants of the report requirements and
9 shall provide information regarding the contents and
10 requirements for the report at the same time it notifies the
11 applicant of the results of its preliminary review.
- 12 ii. Upon receipt and review of the report, the staff of the
13 authority shall refer the application and supporting
14 information to the authority for consideration.
- 15 (b) Additional standards and requirements for the application process shall be
16 established by the authority through the promulgation of administrative
17 regulations in accordance with KRS Chapter 13A.
- 18 (3) (a) The authority may request any materials and make any inquiries concerning
19 an application that the authority deems necessary.
- 20 (b) The authority shall, through the promulgation of administrative regulations in
21 accordance with KRS Chapter 13A, establish commercially reasonable
22 limitations on the financing costs that may be recovered under the provisions
23 of KRS 154.30-050.
- 24 (4) Upon review of an application and other information available, the authority may
25 pledge all or a portion of the state real property ad valorem tax incremental revenue
26 of the Commonwealth or state tax revenues attributable to the footprint of the
27 project, as limited by KRS 154.30-040, 154.30-050, or 154.30-060, whichever is

1 applicable.

2 (a) If incremental revenues are pledged from less than one hundred percent
3 (100%) of the footprint of the project, a description of the included portion of
4 the development area shall be provided.

5 (b) State tax revenues from the development area that have not been pledged to
6 projects within the development area may be used to support other economic
7 development projects or tourism projects approved under KRS 139.536 and
8 148.851 to 148.860, provided that state tax revenues shall not be pledged
9 more than once during the existence of the development area. Thus, state tax
10 revenues pledged to support increment bonds issued for the development area,
11 or a project in the development area shall not be pledged to support any other
12 development area, project, program, development, or undertaking during the
13 life of the development area. If less than one hundred percent (100%) of
14 incremental revenues are pledged pursuant to the provisions of this
15 subchapter, the remaining incremental revenues shall not be used to support
16 other economic development projects or tourism projects approved under
17 KRS 139.536 and 148.851 to 148.860.

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

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

26 1. The estimated approved public infrastructure costs for the project and, if
27 relevant, approved signature project costs, financing costs, and costs

- 1 associated with land preparation, demolition, and clearance;
- 2 2. The feasibility of the project, taking into account the scope and location
- 3 of the project;
- 4 3. The estimated amount of local tax revenues and state tax revenues, as
- 5 applicable, that would be generated by the project over the period,
- 6 which may be up to twenty (20) years or thirty (30) years, as applicable,
- 7 from the activation date;
- 8 4. The estimated amount of local tax revenues and state tax revenues, as
- 9 applicable, that would be displaced within the Commonwealth, for the
- 10 purpose of quantifying economic activity which is being shifted over the
- 11 same period as that set forth in subparagraph 3. of this paragraph. The
- 12 projections for displaced activity shall include economic activity that is
- 13 lost to the Commonwealth as a result of the project, as well as economic
- 14 activity that is diverted to the project that formerly took place at existing
- 15 establishments within the Commonwealth prior to the commencement
- 16 date of the project;
- 17 5. The estimated amount of local and state old revenues that would have
- 18 been generated in the footprint of the project in the absence of the
- 19 project, computed over the same time period as set forth in subparagraph
- 20 3. of this paragraph;
- 21 6. In the process of estimating the revenues and impacts prescribed in
- 22 subparagraphs 3. and 4. of this paragraph, the independent outside
- 23 consultant shall not consider any of the following:
- 24 a. Revenues or economic impacts associated with any projects within
- 25 the development area where the new project will be located; and
- 26 b. Revenues or economic impacts associated with economic
- 27 development projects and approved Kentucky Tourism

1 Development Act projects under KRS Chapter 148;

2 7. The relationship of the estimated incremental revenues to the financing
3 needs, including any increment bonds, of the project;

4 8. When estimating the fiscal impact of the project, the consultant shall
5 evaluate the amount of revenue estimated in subparagraph 3. of this
6 paragraph and shall deduct the amounts estimated in subparagraphs 4.
7 and 5. of this paragraph. The resulting difference shall be compared to
8 the estimated incremental revenues to determine the presence or absence
9 of a positive fiscal impact; and

10 9. A determination that the project will not occur if not for the designation
11 of the development area, the granting of incremental revenues by the
12 taxing district or districts, other than the Commonwealth, and the
13 granting of the state tax incremental revenues.

14 (b) 1. The independent consultant or financial advisor shall consult with the
15 Office of State Budget Director, and the Finance and Administration
16 Cabinet in the development of the report.

17 2. The Office of State Budget Director and the staff of the authority, in
18 collaboration with the independent consultant or financial advisor, shall
19 agree on a methodology to be used and assumptions to be made by the
20 independent consultant or financial consultant in preparing its report.

21 3. On the basis of the independent consultant's report and the other
22 materials provided, prior to any approval of a project by the authority,
23 the Office of State Budget Director and the Finance and Administration
24 Cabinet shall certify to the authority whether there is a projected net
25 positive economic impact to the Commonwealth and the expected
26 amount of state tax incremental revenues from the project.

27 4. The city, county, or agency making the application shall pay all costs

1 associated with the independent consultant's or financial advisor's report.

2 →Section 6. KRS 141.010 is amended to read as follows:

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

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

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

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

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

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

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

18 b. Ten percent (10%), if the corporation occupies property owned,
19 constructively owned, or controlled by the real estate investment
20 trust.

21 The total ownership interest of a corporation shall be determined by
22 aggregating all interests owned or constructively owned by a
23 corporation; and

24 2. For the purposes of this paragraph:

25 a. "Corporation" means a corporation taxable under KRS 141.040,
26 and includes an affiliated group as defined in KRS 141.200, that is
27 required to file a consolidated return pursuant to KRS 141.200;

1 and

2 b. "Owned or constructively owned" means owning shares or having
3 an ownership interest in the real estate investment trust, or owning
4 an interest in an entity that owns shares or has an ownership
5 interest in the real estate investment trust. Constructive ownership
6 shall be determined by looking across multiple layers of a
7 multilayer pass-through structure; and

8 (c) The real estate investment trust is not owned by another real estate investment
9 trust;

10 (3) "Commissioner" means the commissioner of the department;

11 (4) "Corporation" has the same meaning as in Section 7701(a)(3) of the Internal
12 Revenue Code;

13 (5) "Critical infrastructure" means property and equipment owned or used by
14 communications networks, electric generation, transmission or distribution systems,
15 gas distribution systems, or water or wastewater pipelines that service multiple
16 customers or citizens, including but not limited to real and personal property such
17 as buildings, offices, lines, poles, pipes, structures, or equipment;

18 (6) "Declared state disaster or emergency" means a disaster or emergency event for
19 which:

20 (a) The Governor has declared a state of emergency pursuant to KRS 39A.100; or

21 (b) A presidential declaration of a federal major disaster or emergency has been
22 issued;

23 (7) "Department" means the Department of Revenue;

24 (8) "Dependent" means those persons defined as dependents in the Internal Revenue
25 Code;

26 (9) "Disaster or emergency-related work" means repairing, renovating, installing,
27 building, or rendering services that are essential to the restoration of critical

- 1 infrastructure that has been damaged, impaired, or destroyed by a declared state
2 disaster or emergency;
- 3 (10) "Disaster response business" means any entity:
- 4 (a) That has no presence in the state and conducts no business in the state, except
5 for disaster or emergency-related work during a disaster response period;
- 6 (b) Whose services are requested by a registered business or by a state or local
7 government for purposes of performing disaster or emergency-related work in
8 the state during a disaster response period; and
- 9 (c) That has no registrations, tax filings, or nexus in this state other than disaster
10 or emergency-related work during the calendar year immediately preceding
11 the declared state disaster or emergency;
- 12 (11) "Disaster response employee" means an employee who does not work or reside in
13 the state, except for disaster or emergency-related work during the disaster response
14 period;
- 15 (12) "Disaster response period" means a period that begins ten (10) days prior to the first
16 day of the Governor's declaration under KRS 39A.100, or the President's
17 declaration of a federal major disaster or emergency, whichever occurs first, and
18 that extends thirty (30) calendar days after the declared state disaster or emergency;
- 19 (13) "Doing business in this state" includes but is not limited to:
- 20 (a) Being organized under the laws of this state;
- 21 (b) Having a commercial domicile in this state;
- 22 (c) Owning or leasing property in this state;
- 23 (d) Having one (1) or more individuals performing services in this state;
- 24 (e) Maintaining an interest in a pass-through entity doing business in this state;
- 25 (f) Deriving income from or attributable to sources within this state, including
26 deriving income directly or indirectly from a trust doing business in this state,
27 or deriving income directly or indirectly from a single-member limited

1 liability company that is doing business in this state and is disregarded as an
2 entity separate from its single member for federal income tax purposes; or

3 (g) Directing activities at Kentucky customers for the purpose of selling them
4 goods or services.

5 Nothing in this subsection shall be interpreted in a manner that goes beyond the
6 limitations imposed and protections provided by the United States Constitution or
7 Pub. L. No. 86-272;

8 (14) "Employee" has the same meaning as in Section 3401(c) of the Internal Revenue
9 Code;

10 (15) "Employer" has the same meaning as in Section 3401(d) of the Internal Revenue
11 Code;

12 (16) "Fiduciary" has the same meaning as in Section 7701(a)(6) of the Internal Revenue
13 Code;

14 (17) "Financial institution" means:

15 (a) A national bank organized as a body corporate and existing or in the process
16 of organizing as a national bank association pursuant to the provisions of the
17 National Bank Act, 12 U.S.C. secs. 21 et seq., in effect on December 31,
18 1997, exclusive of any amendments made subsequent to that date;

19 (b) Any bank or trust company incorporated or organized under the laws of any
20 state, except a banker's bank organized under KRS 286.3-135;

21 (c) Any corporation organized under the provisions of 12 U.S.C. secs. 611 to 631,
22 in effect on December 31, 1997, exclusive of any amendments made
23 subsequent to that date, or any corporation organized after December 31,
24 1997, that meets the requirements of 12 U.S.C. secs. 611 to 631, in effect on
25 December 31, 1997; or

26 (d) Any agency or branch of a foreign depository as defined in 12 U.S.C. sec.
27 3101, in effect on December 31, 1997, exclusive of any amendments made

1 subsequent to that date, or any agency or branch of a foreign depository
2 established after December 31, 1997, that meets the requirements of 12 U.S.C.
3 sec. 3101 in effect on December 31, 1997;

4 (18) "Fiscal year" has the same meaning as in Section 7701(a)(24) of the Internal
5 Revenue Code;

6 (19) "Gross income":

7 (a) In the case of taxpayers other than corporations, has the same meaning as in
8 Section 61 of the Internal Revenue Code; and

9 (b) In the case of corporations, means the amount calculated in KRS 141.039;

10 (20) "Individual" means a natural person;

11 (21) "Internal Revenue Code" means for taxable years beginning on or after January 1,
12 ~~2026~~[2025], the Internal Revenue Code in effect on December 31, ~~2025~~[2024],
13 exclusive of any amendments made subsequent to that date, other than amendments
14 that extend provisions in effect on December 31, 2024, that would otherwise
15 terminate;

16 (22) "Limited liability pass-through entity" means any pass-through entity that affords
17 any of its partners, members, shareholders, or owners, through function of the laws
18 of this state or laws recognized by this state, protection from general liability for
19 actions of the entity;

20 (23) "Modified gross income" means the greater of:

21 (a) Adjusted gross income as defined in 26 U.S.C. sec. 62, including any
22 amendments in effect on December 31 of the taxable year, and adjusted as
23 follows:

24 1. Include interest income derived from obligations of sister states and
25 political subdivisions thereof; and

26 2. Include lump-sum pension distributions taxed under the special
27 transition rules of Pub. L. No. 104-188, sec. 1401(c)(2); or

- 1 (b) Adjusted gross income as defined in subsection (1) of this section and
2 adjusted to include lump-sum pension distributions taxed under the special
3 transition rules of Pub. L. No. 104-188, sec. 1401(c)(2);
- 4 (24) "Net income":
- 5 (a) In the case of taxpayers other than corporations, means the amount calculated
6 in KRS 141.019; and
- 7 (b) In the case of corporations, means the amount calculated in KRS 141.039;
- 8 (25) "Nonresident" means any individual not a resident of this state;
- 9 (26) "Number of withholding exemptions claimed" means the number of withholding
10 exemptions claimed in a withholding exemption certificate in effect under KRS
11 141.325, except that if no such certificate is in effect, the number of withholding
12 exemptions claimed shall be considered to be zero;
- 13 (27) "Part-year resident" means any individual that has established or abandoned
14 Kentucky residency during the calendar year;
- 15 (28) "Pass-through entity" means any partnership, S corporation, limited liability
16 company, limited liability partnership, limited partnership, or similar entity
17 recognized by the laws of this state that is not taxed for federal purposes at the
18 entity level, but instead passes to each partner, member, shareholder, or owner their
19 proportionate share of income, deductions, gains, losses, credits, and any other
20 similar attributes;
- 21 (29) "Payroll period" has the same meaning as in Section 3401(b) of the Internal
22 Revenue Code;
- 23 (30) "Person" has the same meaning as in Section 7701(a)(1) of the Internal Revenue
24 Code;
- 25 (31) "Registered business" means a business entity that owns or otherwise possesses
26 critical infrastructure and that is registered to do business in the state prior to the
27 declared state disaster or emergency;

- 1 (32) "Resident" means an individual domiciled within this state or an individual who is
2 not domiciled in this state, but maintains a place of abode in this state and spends in
3 the aggregate more than one hundred eighty-three (183) days of the taxable year in
4 this state;
- 5 (33) "S corporation" has the same meaning as in Section 1361(a) of the Internal Revenue
6 Code;
- 7 (34) "State" means a state of the United States, the District of Columbia, the
8 Commonwealth of Puerto Rico, or any territory or possession of the United States;
- 9 (35) "Taxable net income":
- 10 (a) In the case of corporations that are taxable in this state, means "net income" as
11 defined in subsection (24) of this section;
- 12 (b) In the case of corporations that are taxable in this state and taxable in another
13 state, means "net income" as defined in subsection (24) of this section and as
14 allocated and apportioned under KRS 141.120;
- 15 (c) For homeowners' associations as defined in Section 528(c) of the Internal
16 Revenue Code, means "taxable income" as defined in Section 528(d) of the
17 Internal Revenue Code. Notwithstanding the provisions of subsection (21) of
18 this section, the Internal Revenue Code sections referred to in this paragraph
19 shall be those code sections in effect for the applicable tax year; and
- 20 (d) For a corporation that meets the requirements established under Section 856
21 of the Internal Revenue Code to be a real estate investment trust, means "real
22 estate investment trust taxable income" as defined in Section 857(b)(2) of the
23 Internal Revenue Code, except that a captive real estate investment trust shall
24 not be allowed any deduction for dividends paid;
- 25 (36) "Taxable year" means the calendar year or fiscal year ending during such calendar
26 year, upon the basis of which net income is computed, and in the case of a return
27 made for a fractional part of a year under the provisions of this chapter or under

1 administrative regulations prescribed by the commissioner, "taxable year" means
2 the period for which the return is made; and

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

6 ➔Section 7. KRS 141.019 is amended to read as follows:

7 In the case of taxpayers other than corporations:

8 (1) Adjusted gross income shall be calculated by subtracting from the gross income of
9 those taxpayers the deductions allowed individuals by Section 62 of the Internal
10 Revenue Code and adjusting as follows:

11 (a) Exclude income that is exempt from state taxation by the Kentucky
12 Constitution and the Constitution and statutory laws of the United States;

13 (b) Exclude income from supplemental annuities provided by the Railroad
14 Retirement Act of 1937 as amended and which are subject to federal income
15 tax by Pub. L. No. 89-699;

16 (c) Include interest income derived from obligations of sister states and political
17 subdivisions thereof;

18 (d) Exclude employee pension contributions picked up as provided for in KRS
19 6.505, 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610,
20 and 161.540 upon a ruling by the Internal Revenue Service or the federal
21 courts that these contributions shall not be included as gross income until such
22 time as the contributions are distributed or made available to the employee;

23 (e) Exclude Social Security and railroad retirement benefits subject to federal
24 income tax;

25 (f) Exclude any money received because of a settlement or judgment in a lawsuit
26 brought against a manufacturer or distributor of "Agent Orange" for damages
27 resulting from exposure to Agent Orange by a member or veteran of the

1 Armed Forces of the United States or any dependent of such person who
2 served in Vietnam;

- 3 (g) 1. a. For taxable years beginning after December 31, 2005, but before
4 January 1, 2018, exclude up to forty-one thousand one hundred ten
5 dollars (\$41,110) of total distributions from pension plans, annuity
6 contracts, profit-sharing plans, retirement plans, or employee
7 savings plans; and
- 8 b. For taxable years beginning on or after January 1, 2018, exclude
9 up to thirty-one thousand one hundred ten dollars (\$31,110) of
10 total distributions from pension plans, annuity contracts, profit-
11 sharing plans, retirement plans, or employee savings plans.
- 12 2. As used in this paragraph:
- 13 a. "Annuity contract" has the same meaning as set forth in Section
14 1035 of the Internal Revenue Code;
- 15 b. "Distributions" includes but is not limited to any lump-sum
16 distribution from pension or profit-sharing plans qualifying for the
17 income tax averaging provisions of Section 402 of the Internal
18 Revenue Code; any distribution from an individual retirement
19 account as defined in Section 408 of the Internal Revenue Code;
20 and any disability pension distribution; and
- 21 c. "Pension plans, profit-sharing plans, retirement plans, or employee
22 savings plans" means any trust or other entity created or organized
23 under a written retirement plan and forming part of a stock bonus,
24 pension, or profit-sharing plan of a public or private employer for
25 the exclusive benefit of employees or their beneficiaries and
26 includes plans qualified or unqualified under Section 401 of the
27 Internal Revenue Code and individual retirement accounts as

- 1 defined in Section 408 of the Internal Revenue Code;
- 2 (h) 1. a. Exclude the portion of the distributive share of a shareholder's net
3 income from an S corporation subject to the franchise tax imposed
4 under KRS 136.505 or the capital stock tax imposed under KRS
5 136.300; and
- 6 b. Exclude the portion of the distributive share of a shareholder's net
7 income from an S corporation related to a qualified subchapter S
8 subsidiary subject to the franchise tax imposed under KRS
9 136.505 or the capital stock tax imposed under KRS 136.300.
- 10 2. The shareholder's basis of stock held in an S corporation where the S
11 corporation or its qualified subchapter S subsidiary is subject to the
12 franchise tax imposed under KRS 136.505 or the capital stock tax
13 imposed under KRS 136.300 shall be the same as the basis for federal
14 income tax purposes;
- 15 (i) Exclude income received for services performed as a precinct worker for
16 election training or for working at election booths in state, county, and local
17 primaries or regular or special elections;
- 18 (j) Exclude any capital gains income attributable to property taken by eminent
19 domain;
- 20 (k) 1. Exclude all income from all sources for members of the Armed Forces
21 who are on active duty and who are killed in the line of duty, for the
22 year during which the death occurred and the year prior to the year
23 during which the death occurred.
- 24 2. For the purposes of this paragraph, "all income from all sources" shall
25 include all federal and state death benefits payable to the estate or any
26 beneficiaries;
- 27 (l) Exclude all military pay received by members of the Armed Forces while on

- 1 active duty;
- 2 (m) 1. Include the amount deducted for depreciation under 26 U.S.C. sec. 167
3 or 168; and
- 4 2. Exclude the amounts allowed by KRS 141.0101 for depreciation;
- 5 (n) Include the amount deducted under 26 U.S.C. sec. 199A;
- 6 (o) Ignore any change in the cost basis of the surviving spouse's share of property
7 owned by a Kentucky community property trust occurring for federal income
8 tax purposes as a result of the death of the predeceasing spouse;
- 9 (p) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and
10 278, related to the tax treatment of forgiven covered loans, deductions
11 attributable to those loans, and tax attributes associated with those loans for
12 taxable years ending on or after March 27, 2020, but before January 1, 2022;~~†~~
13 ~~and†~~
- 14 (q) For taxable years beginning on or after January 1, 2020, but before March 11,
15 2023, allow the same treatment of restaurant revitalization grants in
16 accordance with Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c,
17 related to the tax treatment of the grants, deductions attributable to those
18 grants, and tax attributes associated with those grants;~~†and†~~
- 19 **(r) Include the amount of employer contributions made to Trump accounts on**
20 **behalf of an employee or any dependent of such employee under 26 U.S.C.**
21 **sec. 128;**
- 22 **(s) Include the amount deducted for domestic research or experimental**
23 **expenditures under 26 U.S.C. sec. 174A;**
- 24 **(t) Include the amount deducted for any qualified film or television production,**
25 **any qualified live theatrical production, and any qualified sound recording**
26 **production under 26 U.S.C. sec. 181; and**
- 27 **(u) Include interest deducted under 26 U.S.C. sec. 139L for amounts paid to a**

1 *qualified lender on any qualified real estate loan; and*

- 2 (2) Net income shall be calculated by subtracting from adjusted gross income all the
3 deductions allowed individuals by Chapter 1 of the Internal Revenue Code, as
4 modified by KRS 141.0101, except:
- 5 (a) Any deduction allowed by 26 U.S.C. sec. 164 for taxes;
 - 6 (b) Any deduction allowed by 26 U.S.C. sec. 165 for losses, except wagering
7 losses allowed under Section 165(d) of the Internal Revenue Code;
 - 8 (c) Any deduction allowed by 26 U.S.C. sec. 213 for medical care expenses;
 - 9 (d) Any deduction allowed by 26 U.S.C. sec. 217 for moving expenses;
 - 10 (e) Any deduction allowed by 26 U.S.C. sec. 67 for any other miscellaneous
11 deduction;
 - 12 (f) Any deduction allowed by the Internal Revenue Code for amounts allowable
13 under KRS 140.090(1)(h) in calculating the value of the distributive shares of
14 the estate of a decedent, unless there is filed with the income return a
15 statement that the deduction has not been claimed under KRS 140.090(1)(h);
 - 16 (g) Any deduction allowed by 26 U.S.C. sec. 151 for personal exemptions and
17 any other deductions in lieu thereof;
 - 18 (h) Any deduction allowed for amounts paid to any club, organization, or
19 establishment which has been determined by the courts or an agency
20 established by the General Assembly and charged with enforcing the civil
21 rights laws of the Commonwealth, not to afford full and equal membership
22 and full and equal enjoyment of its goods, services, facilities, privileges,
23 advantages, or accommodations to any person because of race, color, religion,
24 national origin, or sex, except nothing shall be construed to deny a deduction
25 for amounts paid to any religious or denominational club, group, or
26 establishment or any organization operated solely for charitable or educational
27 purposes which restricts membership to persons of the same religion or

1 denomination in order to promote the religious principles for which it is
2 established and maintained;~~and~~

3 (i) A taxpayer may elect to claim the standard deduction allowed by KRS
4 141.081 instead of itemized deductions allowed pursuant to 26 U.S.C. sec. 63
5 and as modified by this section;

6 **(j) For taxable years beginning on or after January 1, 2026, any deduction**
7 **allowed by 26 U.S.C. sec. 163(h)(3) as qualified residence interest shall be**
8 **limited to the amount of interest paid or accrued during the taxable year on**
9 **the acquisition and home equity indebtedness of the principal residence of**
10 **the taxpayer and shall not be claimed for more than one (1) qualified**
11 **residence;**

12 **(k) Any deduction allowed by 26 U.S.C. sec. 224 for qualified tips;**

13 **(l) Any deduction allowed by 26 U.S.C. sec. 225 for qualified overtime**
14 **compensation; and**

15 **(m) Any deduction allowed by 26 U.S.C. sec. 163(h)(4) for qualified passenger**
16 **vehicle loan interest.**

17 ➔Section 8. KRS 141.039 is amended to read as follows:

18 In the case of corporations:

19 (1) Gross income shall be calculated by adjusting federal gross income as defined in
20 Section 61 of the Internal Revenue Code as follows:

21 (a) Exclude income that is exempt from state taxation by the Kentucky
22 Constitution and the Constitution and statutory laws of the United States;

23 (b) Exclude all dividend income;

24 (c) Include interest income derived from obligations of sister states and political
25 subdivisions thereof;

26 (d) Exclude fifty percent (50%) of gross income derived from any disposal of
27 coal covered by Section 631(c) of the Internal Revenue Code if the

- 1 corporation does not claim any deduction for percentage depletion, or for
2 expenditures attributable to the making and administering of the contract
3 under which such disposition occurs or to the preservation of the economic
4 interests retained under such contract;
- 5 (e) Include the amount calculated under KRS 141.205;
- 6 (f) Ignore the provisions of Section 281 of the Internal Revenue Code in
7 computing gross income;
- 8 (g) Include the amount of depreciation deduction calculated under 26 U.S.C. sec.
9 167 or 168;
- 10 (h) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and
11 278, related to the tax treatment of forgiven covered loans, deductions
12 attributable to those loans, and tax attributes associated with those loans for
13 taxable years ending on or after March 27, 2020, but before January 1, 2022;~~;~~
14 ~~and~~
- 15 (i) For taxable years beginning on or after January 1, 2020, but before March 11,
16 2023, allow the same treatment of restaurant revitalization grants in
17 accordance with Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c,
18 related to the tax treatment of the grants, deductions attributable to those
19 grants, and tax attributes associated with those grants;~~;~~~~and~~
- 20 **(j) Include the amount deducted for domestic research or experimental**
21 **expenditures under 26 U.S.C. sec. 174A;**
- 22 **(k) Include the amount deducted for any qualified film or television production,**
23 **any qualified live theatrical production, and any qualified sound recording**
24 **production under 26 U.S.C. sec. 181;**
- 25 **(l) Include interest deducted under 26 U.S.C. sec. 139L for amounts paid to a**
26 **qualified lender on any qualified real estate loan; and**
- 27 **(m) For purposes of determining the limitation on business interest under 26**

1 *U.S.C. sec. 163(j), the provisions of that section in effect on December 31,*
2 *2024, exclusive of any amendments made subsequent to December 31, 2024,*
3 *shall be used; and*

- 4 (2) Net income shall be calculated by subtracting from gross income:
- 5 (a) The deduction for depreciation allowed by KRS 141.0101;
- 6 (b) Any amount paid for vouchers or similar instruments that provide health
7 insurance coverage to employees or their families;
- 8 (c) All the deductions from gross income allowed corporations by Chapter 1 of
9 the Internal Revenue Code, as modified by KRS 141.0101, except:
- 10 1. Any deduction for a state tax which is computed, in whole or in part, by
11 reference to gross or net income and which is paid or accrued to any
12 state of the United States, the District of Columbia, the Commonwealth
13 of Puerto Rico, any territory or possession of the United States, or to any
14 foreign country or political subdivision thereof;
- 15 2. The deductions contained in Sections 243, 245, and 247 of the Internal
16 Revenue Code;
- 17 3. The provisions of Section 281 of the Internal Revenue Code shall be
18 ignored in computing net income;
- 19 4. Any deduction directly or indirectly allocable to income which is either
20 exempt from taxation or otherwise not taxed under the provisions of this
21 chapter, except for deductions allowed under Pub. L. No. 116-260, secs.
22 276 and 278, related to the tax treatment of forgiven covered loans and
23 deductions attributable to those loans for taxable years ending on or
24 after March 27, 2020, but before January 1, 2022; and deductions
25 allowed under Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c,
26 related to the tax treatment of restaurant revitalization grants and
27 deductions attributable to those grants for taxable years beginning on or

- 1 after January 1, 2020, but before March 11, 2023. Nothing in this
2 chapter shall be construed to permit the same item to be deducted more
3 than once;
- 4 5. Any deduction for amounts paid to any club, organization, or
5 establishment which has been determined by the courts or an agency
6 established by the General Assembly and charged with enforcing the
7 civil rights laws of the Commonwealth, not to afford full and equal
8 membership and full and equal enjoyment of its goods, services,
9 facilities, privileges, advantages, or accommodations to any person
10 because of race, color, religion, national origin, or sex, except nothing
11 shall be construed to deny a deduction for amounts paid to any religious
12 or denominational club, group, or establishment or any organization
13 operated solely for charitable or educational purposes which restricts
14 membership to persons of the same religion or denomination in order to
15 promote the religious principles for which it is established and
16 maintained;
- 17 6. Any deduction prohibited by KRS 141.205; and
- 18 7. Any dividends-paid deduction of any captive real estate investment
19 trust; and
- 20 (d) 1. A deferred tax deduction in an amount computed in accordance with this
21 paragraph.
- 22 2. For purposes of this paragraph:
- 23 a. "Net deferred tax asset" means that deferred tax assets exceed the
24 deferred tax liabilities of the combined group, as computed in
25 accordance with accounting principles generally accepted in the
26 United States of America; and
- 27 b. "Net deferred tax liability" means deferred tax liabilities that

1 exceed the deferred tax assets of a combined group as defined in
2 KRS 141.202, as computed in accordance with accounting
3 principles generally accepted in the United States of America.

- 4 3. Only publicly traded companies, including affiliated corporations
5 participating in the filing of a publicly traded company's financial
6 statements prepared in accordance with accounting principles generally
7 accepted in the United States of America, as of January 1, 2019, shall be
8 eligible for this deduction.
- 9 4. If the provisions of KRS 141.202 result in an aggregate increase to the
10 member's net deferred tax liability, an aggregate decrease to the
11 member's net deferred tax asset, or an aggregate change from a net
12 deferred tax asset to a net deferred tax liability, the combined group
13 shall be entitled to a deduction, as determined in this paragraph.
- 14 5. For ten (10) years beginning with the combined group's first taxable
15 year beginning on or after January 1, ~~2028~~²⁰²⁶, a combined group
16 shall be entitled to a deduction from the combined group's entire net
17 income equal to one-tenth (1/10) of the amount necessary to offset the
18 increase in the net deferred tax liability, decrease in the net deferred tax
19 asset, or aggregate change from a net deferred tax asset to a net deferred
20 tax liability. The increase in the net deferred tax liability, decrease in the
21 net deferred tax asset, or the aggregate change from a net deferred tax
22 asset to a net deferred tax liability shall be computed based on the
23 change that would result from the imposition of the combined reporting
24 requirement under KRS 141.202, but for the deduction provided under
25 this paragraph as of June 27, 2019.
- 26 6. The deferred tax impact determined in subparagraph 5. of this paragraph
27 shall be converted to the annual deferred tax deduction amount, as

1 follows:

- 2 a. The deferred tax impact determined in subparagraph 5. of this
3 paragraph shall be divided by the tax rate determined under KRS
4 141.040;
- 5 b. The resulting amount shall be further divided by the
6 apportionment factor determined by KRS 141.120 or 141.121 that
7 was used by the combined group in the calculation of the deferred
8 tax assets and deferred tax liabilities as described in subparagraph
9 5. of this paragraph; and
- 10 c. The resulting amount represents the total net deferred tax
11 deduction available over the ten (10) year period as described in
12 subparagraph 5. of this paragraph.
- 13 7. The deduction calculated under this paragraph shall not be adjusted as a
14 result of any events happening subsequent to the calculation, including
15 but not limited to any disposition or abandonment of assets. The
16 deduction shall be calculated without regard to the federal tax effect and
17 shall not alter the tax basis of any asset. If the deduction under this
18 section is greater than the combined group's entire Kentucky net income,
19 any excess deduction shall be carried forward and applied as a deduction
20 to the combined group's entire net income in future taxable years until
21 fully utilized.
- 22 8. Any combined group intending to claim a deduction under this
23 paragraph shall file a statement with the department on or before July 1,
24 2019. The statement shall specify the total amount of the deduction
25 which the combined group claims on the form, including calculations
26 and other information supporting the total amounts of the deduction as
27 required by the department. No deduction shall be allowed under this

1 paragraph for any taxable year, except to the extent claimed on the
2 timely filed statement in accordance with this paragraph.

3 ➔SECTION 9. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO
4 READ AS FOLLOWS:

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

6 **(a) "Athlete" means a professional or amateur competitor in a sporting event**
7 **or an organized video game competition that is:**

8 **1. Regulated by a sports governing body; and**

9 **2. Held between players who play individually or as a team;**

10 **(b) "Department" means the Department of Revenue;**

11 **(c) "Entry fee" means the cash or cash equivalent that is required to be paid by**
12 **a participant to a fantasy contest operator in order to participate in a**
13 **fantasy contest;**

14 **(d) "Fantasy contest":**

15 **1. Means any fantasy or simulated game or contest that meets the**
16 **following conditions:**

17 **a. The values of all prizes and awards offered to winning**
18 **participants are made known to the participants in advance of**
19 **the contest;**

20 **b. All winning outcomes reflect the relative knowledge and skill of**
21 **the participant;**

22 **c. The participant assembles, owns, or manages a fictional entry or**
23 **roster of actual athletes; and**

24 **d. The game or contest does not violate any provision of federal**
25 **law;**

26 **2. Includes contests in which:**

27 **a. Participants compete against each other; or**

1 **b. Only a single participant competes against a target score set by**
2 **the fantasy contest operator; and**

3 **3. Does not include any fantasy contest without an entry fee;**

4 **(e) "Fantasy contest operator":**

5 **1. Means a person who:**

6 **a. Offers or administers one (1) or more fantasy contests with an**
7 **entry fee to the general public; and**

8 **b. Awards a prize of value; and**

9 **2. Does not include an internet service provider or a provider of mobile**
10 **data services merely as a result of that provider's transporting of**
11 **general traffic that may include a fantasy contest;**

12 **(f) "Participant":**

13 **1. Means a:**

14 **a. Kentucky resident who participates in a fantasy contest offered**
15 **by a fantasy contest operator; or**

16 **b. Person who is not a Kentucky resident who participates in a**
17 **fantasy contest offered by a fantasy contest operator while in**
18 **Kentucky; and**

19 **2. Does not include a person who only performs the following actions:**

20 **a. Setting house rules for a contest;**

21 **b. Assigning a salary or target score to any eligible athlete or**
22 **player;**

23 **c. Accepting an entry fee from a fantasy contest participant; or**

24 **d. Awarding or disbursing prizes;**

25 **(g) "Person" has the same meaning as in KRS 139.010; and**

26 **(h) "Winning outcome" means an outcome that is:**

27 **1. Determined solely by clearly established scoring criteria;**

- 1 2. Based on one (1) or more statistical results of the performance of an
2 individual athlete, including but not limited to a fantasy score; and
- 3 3. Not based:
- 4 a. On the score, point spread, or any performance or performances
5 of any single actual team or combination of teams; or
- 6 b. Solely on any single performance of an individual athlete or
7 participant in any single actual event.
- 8 (2) An excise tax is hereby imposed on a fantasy contest operator at the rate of twelve
9 percent (12%) of the fantasy contest operator's entry fees. The accrual method of
10 accounting shall be used for purposes of calculating the amount of tax owed by
11 the fantasy contest operator under this subsection.
- 12 (3) The tax imposed by subsection (2) of this section is due and payable monthly and
13 shall be remitted to the department on or before the twentieth day of the next
14 succeeding calendar month.
- 15 (4) The fantasy contest operator's payment shall be accompanied by a return
16 prescribed by the department indicating the amount of tax due for the previous
17 calendar month as well as any other information the department shall require
18 through an administrative regulation promulgated in accordance with KRS
19 Chapter 13A.
- 20 (5) Any fantasy contest operator who violates any provision of this section shall be
21 subject to the uniform civil penalties imposed under KRS 131.180.
- 22 (6) In every case, any tax not paid on or before the due date shall bear interest at the
23 tax interest rate as defined in KRS 131.010 from the due date until the date of
24 payment.
- 25 (7) It is the purpose and intent of the General Assembly to levy taxes on persons
26 engaged in the operations of fantasy contests. It is not the intent of the General
27 Assembly to legalize these activities.

1 ➔Section 10. KRS 139.010 is amended to read as follows:

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

3 (1) (a) "Admissions" means the fees paid for:

4 1. The right of entrance to a display, program, sporting event, music
5 concert, performance, play, show, movie, exhibit, fair, or other
6 entertainment or amusement event or venue; and

7 2. The privilege of using facilities or participating in an event or activity,
8 including but not limited to:

9 a. Bowling centers;

10 b. Skating rinks;

11 c. Health spas;

12 d. Swimming pools;

13 e. Tennis courts;

14 f. Weight training facilities;

15 g. Fitness and recreational sports centers; and

16 h. Golf courses, both public and private;

17 regardless of whether the fee paid is per use or in any other form,
18 including but not limited to an initiation fee, monthly fee, membership
19 fee, or combination thereof.

20 (b) "Admissions" does not include:

21 1. Any fee paid to enter or participate in a fishing tournament; or

22 2. Any fee paid for the use of a boat ramp for the purpose of allowing
23 boats to be launched into or hauled out from the water;

24 (2) "Advertising and promotional direct mail" means direct mail the primary purpose of
25 which is to attract public attention to a product, person, business, or organization, or
26 to attempt to sell, popularize, or secure financial support for a product, person,
27 business, or organization. As used in this definition, "product" means tangible

- 1 personal property, an item transferred electronically, or a service;
- 2 (3) "Business" includes any activity engaged in by any person or caused to be engaged
3 in by that person with the object of gain, benefit, or advantage, either direct or
4 indirect;
- 5 (4) "Commonwealth" means the Commonwealth of Kentucky;
- 6 (5) (a) "Cosmetic surgery services" means modifications to all areas of the head,
7 neck, and body to enhance appearance through surgical and medical
8 techniques.
- 9 (b) "Cosmetic surgery services" does not include surgery services that are
10 medically necessary to reconstruct or correct dysfunctional areas of the face
11 and body due to birth disorders, trauma, burns, or disease;
- 12 (6) "Data brokering services" means the act of collecting, aggregating, and
13 analyzing personal data for sale to or use by a third party while possession of the
14 personal data is maintained by the person providing the data brokering services
15 or by the third party, wherever located, regardless of whether the charge for the
16 services provided is on a per use, per user, per license, subscription, or some
17 other basis;
- 18 (7) "Department" means the Department of Revenue;
- 19 ~~(8)~~~~(7)~~ (a) "Digital audio-visual works" means a series of related images which,
20 when shown in succession, impart an impression of motion, with
21 accompanying sounds, if any.
- 22 (b) "Digital audio-visual works" includes movies, motion pictures, musical
23 videos, news and entertainment programs, and live events.
- 24 (c) "Digital audio-visual works" does~~shall~~ not include video greeting cards,
25 video games, and electronic games;
- 26 ~~(9)~~~~(8)~~ (a) "Digital audio works" means works that result from the fixation of a
27 series of musical, spoken, or other sounds.

1 (b) "Digital audio works" includes ringtones, recorded or live songs, music,
2 readings of books or other written materials, speeches, or other sound
3 recordings.

4 (c) "Digital audio works" ~~does~~~~shall~~ not include audio greeting cards sent by
5 electronic mail;

6 ~~(10)~~~~(9)~~ (a) "Digital books" means works that are generally recognized in the
7 ordinary and usual sense as books, including any literary work expressed in
8 words, numbers, or other verbal or numerical symbols or indicia if the literary
9 work is generally recognized in the ordinary or usual sense as a book.

10 (b) "Digital books" ~~does~~~~shall~~ not include digital audio-visual works, digital
11 audio works, periodicals, magazines, newspapers, or other news or
12 information products, chat rooms, or weblogs;

13 ~~(11)~~~~(10)~~ (a) "Digital code" means a code which provides a purchaser with a right to
14 obtain one (1) or more types of digital property. A "digital code" may be
15 obtained by any means, including electronic mail messaging or by tangible
16 means, regardless of the code's designation as a song code, video code, or
17 book code.

18 (b) "Digital code" ~~does~~~~shall~~ not include a code that represents:

- 19 1. A stored monetary value that is deducted from a total as it is used by the
20 purchaser; or
21 2. A redeemable card, gift card, or gift certificate that entitles the holder to
22 select specific types of digital property;

23 ~~(12)~~~~(11)~~ (a) "Digital property" means any of the following which is transferred
24 electronically:

- 25 1. Digital audio works;
26 2. Digital books;
27 3. Finished artwork;

- 1 4. Digital photographs;
- 2 5. Periodicals;
- 3 6. Newspapers;
- 4 7. Magazines;
- 5 8. Video greeting cards;
- 6 9. Audio greeting cards;
- 7 10. Video games;
- 8 11. Electronic games; or
- 9 12. Any digital code related to this property.

10 (b) "Digital property" ~~does~~shall not include digital audio-visual works or
11 satellite radio programming;

12 ~~(13)~~(12) (a) "Direct mail" means printed material delivered or distributed by United
13 States mail or other delivery service to a mass audience or to addressees on a
14 mailing list provided by the purchaser or at the direction of the purchaser
15 when the cost of the items are not billed directly to the recipient.

16 (b) "Direct mail" includes tangible personal property supplied directly or
17 indirectly by the purchaser to the direct mail retailer for inclusion in the
18 package containing the printed material.

19 (c) "Direct mail" does not include multiple items of printed material delivered to
20 a single address;

21 ~~(14)~~(13) "Directly used in the manufacturing or industrial processing process" means
22 the process that commences with the movement of raw materials from storage into
23 a continuous, unbroken, integrated process and ends when the finished product is
24 packaged and ready for sale;

25 ~~(15)~~(14) (a) "Executive employee recruitment services" means services provided by
26 a person to locate potential candidates to fill open senior-level management
27 positions.

1 (b) "Executive employee recruitment services" includes but is not limited to
2 making a detailed list of client requirements, researching and identifying
3 potential candidates, performing prescreening interviews, and providing
4 contract and salary negotiations;

5 ~~(16)~~~~(15)~~ (a) "Extended warranty services" means services provided through a service
6 contract agreement between the contract provider and the purchaser where the
7 purchaser agrees to pay compensation for the contract and the provider agrees
8 to repair, replace, support, or maintain tangible personal property, digital
9 property, real property, or prewritten computer software access services
10 according to the terms of the contract.

11 (b) "Extended warranty services" does not include the sale of a service contract
12 agreement for tangible personal property to be used by a small telephone
13 utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in
14 KRS 65.7621 to deliver communications services as defined in KRS 136.602
15 or broadband;

16 ~~(17)~~~~(16)~~ (a) "Finished artwork" means final art that is used for actual reproduction
17 by photomechanical or other processes or for display purposes.

18 (b) "Finished artwork" includes:

- 19 1. Assemblies;
- 20 2. Charts;
- 21 3. Designs;
- 22 4. Drawings;
- 23 5. Graphs;
- 24 6. Illustrative materials;
- 25 7. Lettering;
- 26 8. Mechanicals;
- 27 9. Paintings; and

1 10. Paste-ups;

2 ~~(18)~~~~(17)~~ (a) "Gross receipts" and "sales price" mean the total amount or
3 consideration, including cash, credit, property, and services, for which
4 tangible personal property, digital property, or services are sold, leased, or
5 rented, valued in money, whether received in money or otherwise, without
6 any deduction for any of the following:

- 7 1. The retailer's cost of the tangible personal property, digital property, or
8 services sold;
- 9 2. The cost of the materials used, labor or service cost, interest, losses, all
10 costs of transportation to the retailer, all taxes imposed on the retailer, or
11 any other expense of the retailer;
- 12 3. Charges by the retailer for any services necessary to complete the sale;
- 13 4. Delivery charges, which are defined as charges by the retailer for the
14 preparation and delivery to a location designated by the purchaser
15 including transportation, shipping, postage, handling, crating, and
16 packing;
- 17 5. Any amount for which credit is given to the purchaser by the retailer,
18 other than credit for tangible personal property or digital property traded
19 when the tangible personal property or digital property traded is of like
20 kind and character to the property purchased and the property traded is
21 held by the retailer for resale; and
- 22 6. The amount charged for labor or services rendered in installing or
23 applying the tangible personal property, digital property, or service sold.

24 (b) "Gross receipts" and "sales price"~~[shall]~~ include consideration received by
25 the retailer from a third party if:

- 26 1. The retailer actually receives consideration from a third party and the
27 consideration is directly related to a price reduction or discount on the

- 1 sale to the purchaser;
- 2 2. The retailer has an obligation to pass the price reduction or discount
- 3 through to the purchaser;
- 4 3. The amount of consideration attributable to the sale is fixed and
- 5 determinable by the retailer at the time of the sale of the item to the
- 6 purchaser; and
- 7 4. One (1) of the following criteria is met:
- 8 a. The purchaser presents a coupon, certificate, or other
- 9 documentation to the retailer to claim a price reduction or discount
- 10 where the coupon, certificate, or documentation is authorized,
- 11 distributed, or granted by a third party with the understanding that
- 12 the third party will reimburse any seller to whom the coupon,
- 13 certificate, or documentation is presented;
- 14 b. The price reduction or discount is identified as a third-party price
- 15 reduction or discount on the invoice received by the purchaser or
- 16 on a coupon, certificate, or other documentation presented by the
- 17 purchaser; or
- 18 c. The purchaser identifies himself or herself to the retailer as a
- 19 member of a group or organization entitled to a price reduction or
- 20 discount. A "preferred customer" card that is available to any
- 21 patron does not constitute membership in such a group.
- 22 (c) "Gross receipts" and "sales price" ~~do shall~~ not include:
- 23 1. Discounts, including cash, term, or coupons that are not reimbursed by a
- 24 third party and that are allowed by a retailer and taken by a purchaser on
- 25 a sale;
- 26 2. Interest, financing, and carrying charges from credit extended on the
- 27 sale of tangible personal property, digital property, or services, if the

1 amount is separately stated on the invoice, bill of sale, or similar
2 document given to the purchaser;

3 3. Any taxes legally imposed directly on the purchaser that are separately
4 stated on the invoice, bill of sale, or similar document given to the
5 purchaser; or

6 4. Local alcohol regulatory license fees authorized under KRS 243.075 that
7 are separately stated on the invoice, bill of sale, or similar document
8 given to the purchaser.

9 (d) As used in this subsection, "third party" means a person other than the
10 purchaser;

11 ~~(19)~~~~(18)~~ "In this state" or "in the state" means within the exterior limits of the
12 Commonwealth and includes all territory within these limits owned by or ceded to
13 the United States of America;

14 ~~(20)~~~~(19)~~ "Industrial processing" includes:

15 (a) Refining;

16 (b) Extraction of minerals, ores, coal, clay, stone, petroleum, or natural gas;

17 (c) Mining, quarrying, fabricating, and industrial assembling;

18 (d) The processing and packaging of raw materials, in-process materials, and
19 finished products; and

20 (e) The processing and packaging of farm and dairy products for sale;

21 ~~(21)~~~~(20)~~ (a) "Lease or rental" means any transfer of possession or control of tangible
22 personal property for a fixed or indeterminate term for consideration. A lease
23 or rental ***includes***~~shall include~~ future options to:

24 1. Purchase the property; or

25 2. Extend the terms of the agreement and agreements covering trailers
26 where the amount of consideration may be increased or decreased by
27 reference to the amount realized upon sale or disposition of the property

1 as defined in 26 U.S.C. sec. 7701(h)(1).

2 (b) "Lease or rental" ~~shall~~ does not include:

3 1. A transfer of possession or control of property under a security
4 agreement or deferred payment plan that requires the transfer of title
5 upon completion of the required payments;

6 2. A transfer of possession or control of property under an agreement that
7 requires the transfer of title upon completion of the required payments
8 and payment of an option price that does not exceed the greater of one
9 hundred dollars (\$100) or one percent (1%) of the total required
10 payments; or

11 3. Providing tangible personal property and an operator for the tangible
12 personal property for a fixed or indeterminate period of time. To qualify
13 for this exclusion, the operator must be necessary for the equipment to
14 perform as designed, and the operator must do more than maintain,
15 inspect, or setup the tangible personal property.

16 (c) This definition shall apply regardless of the classification of a transaction
17 under generally accepted accounting principles, the Internal Revenue Code, or
18 other provisions of federal, state, or local law;

19 ~~(21)~~ (22) (a) "Lobbying services" means the act of promoting or securing passage of
20 legislation or an attempt to influence or sway a public official or other public
21 servant toward a desired action, including but not limited to the support of or
22 opposition to a project or the passage, amendment, defeat, approval, or veto of
23 any legislation, regulation, rule, or ordinance. ~~;~~

24 (b) "Lobbying services" includes but is not limited to the performance of
25 activities described as executive agency lobbying activities as defined in KRS
26 11A.201, activities described under the definition of lobby in KRS 6.611, and
27 any similar activities performed at the local, state, or federal levels;

- 1 ~~(23)~~~~(22)~~ (a) "Machinery for new and expanded industry" means machinery:
- 2 1. Directly used in the manufacturing or industrial processing process of:
- 3 a. Tangible personal property at a plant facility;
- 4 b. Distilled spirits or wine at a plant facility or on the premises of a
- 5 distiller, rectifier, winery, or small farm winery licensed under
- 6 KRS 243.030 that includes a retail establishment on the premises;
- 7 or
- 8 c. Malt beverages at a plant facility or on the premises of a brewer or
- 9 microbrewery licensed under KRS 243.040 that includes a retail
- 10 establishment;
- 11 2. Which is incorporated for the first time into:
- 12 a. A plant facility established in this state; or
- 13 b. Licensed premises located in this state; and
- 14 3. Which does not replace machinery in the plant facility or licensed
- 15 premises unless that machinery purchased to replace existing machinery:
- 16 a. Increases the consumption of recycled materials at the plant
- 17 facility by not less than ten percent (10%);
- 18 b. Performs different functions;
- 19 c. Is used to manufacture a different product; or
- 20 d. Has a greater productive capacity, as measured in units of
- 21 production, than the machinery being replaced.
- 22 (b) "Machinery for new and expanded industry" does not include repair,
- 23 replacement, or spare parts of any kind, regardless of whether the purchase of
- 24 repair, replacement, or spare parts is required by the manufacturer or seller as
- 25 a condition of sale or as a condition of warranty;
- 26 ~~(24)~~~~(23)~~ "Manufacturing" means any process through which material having little or
- 27 no commercial value for its intended use before processing has appreciable

1 commercial value for its intended use after processing by the machinery;

2 ~~(25)~~~~(24)~~ "Marketplace" means any physical or electronic means through which one (1)
3 or more retailers may advertise and sell tangible personal property, digital property,
4 or services, or lease tangible personal property or digital property, such as a catalog,
5 internet website, or television or radio broadcast, regardless of whether the tangible
6 personal property, digital property, or retailer is physically present in this state;

7 ~~(26)~~~~(25)~~ (a) "Marketplace provider" means a person, including any affiliate of the
8 person, that facilitates a retail sale by satisfying subparagraphs 1. and 2. of
9 this paragraph as follows:

- 10 1. The person directly or indirectly:
 - 11 a. Lists, makes available, or advertises tangible personal property,
12 digital property, or services for sale by a marketplace retailer in a
13 marketplace owned, operated, or controlled by the person;
 - 14 b. Facilitates the sale of a marketplace retailer's product through a
15 marketplace by transmitting or otherwise communicating an offer
16 or acceptance of a retail sale of tangible personal property, digital
17 property, or services between a marketplace retailer and a
18 purchaser in a forum including a shop, store, booth, catalog,
19 internet site, or similar forum;
 - 20 c. Owns, rents, licenses, makes available, or operates any electronic
21 or physical infrastructure or any property, process, method,
22 copyright, trademark, or patent that connects marketplace retailers
23 to purchasers for the purpose of making retail sales of tangible
24 personal property, digital property, or services;
 - 25 d. Provides a marketplace for making retail sales of tangible personal
26 property, digital property, or services, or otherwise facilitates retail
27 sales of tangible personal property, digital property, or services,

- 1 regardless of ownership or control of the tangible personal
2 property, digital property, or services, that are the subject of the
3 retail sale;
- 4 e. Provides software development or research and development
5 activities related to any activity described in this subparagraph, if
6 the software development or research and development activities
7 are directly related to the physical or electronic marketplace
8 provided by a marketplace provider;
- 9 f. Provides or offers fulfillment or storage services for a marketplace
10 retailer;
- 11 g. Sets prices for a marketplace retailer's sale of tangible personal
12 property, digital property, or services;
- 13 h. Provides or offers customer service to a marketplace retailer or a
14 marketplace retailer's customers, or accepts or assists with taking
15 orders, returns, or exchanges of tangible personal property, digital
16 property, or services sold by a marketplace retailer; or
- 17 i. Brands or otherwise identifies sales as those of the marketplace
18 provider; and
- 19 2. The person directly or indirectly:
- 20 a. Collects the sales price or purchase price of a retail sale of tangible
21 personal property, digital property, or services;
- 22 b. Provides payment processing services for a retail sale of tangible
23 personal property, digital property, or services;
- 24 c. Through terms and conditions, agreements, or arrangements with a
25 third party, collects payment in connection with a retail sale of
26 tangible personal property, digital property, or services from a
27 purchaser and transmits that payment to the marketplace retailer,

1 regardless of whether the person collecting and transmitting the
2 payment receives compensation or other consideration in exchange
3 for the service; or

4 d. Provides a virtual currency that purchasers are allowed or required
5 to use to purchase tangible personal property, digital property, or
6 services.

7 (b) "Marketplace provider" includes but is not limited to a person that satisfies the
8 requirements of this subsection through the ownership, operation, or control
9 of a digital distribution service, digital distribution platform, online portal, or
10 application store;

11 ~~(27)~~~~(26)~~ "Marketplace retailer" means a seller that makes retail sales through any
12 marketplace owned, operated, or controlled by a marketplace provider;

13 ~~(28)~~~~(27)~~ (a) "Occasional sale" includes:

14 1. A sale of tangible personal property or digital property not held or used
15 by a seller in the course of an activity for which he or she is required to
16 hold a seller's permit, provided such sale is not one (1) of a series of
17 sales sufficient in number, scope, and character to constitute an activity
18 requiring the holding of a seller's permit. In the case of the sale of the
19 entire, or a substantial portion of the nonretail assets of the seller, the
20 number of previous sales of similar assets shall be disregarded in
21 determining whether or not the current sale or sales shall qualify as an
22 occasional sale; or

23 2. Any transfer of all or substantially all the tangible personal property or
24 digital property held or used by a person in the course of such an activity
25 when after such transfer the real or ultimate ownership of such property
26 is substantially similar to that which existed before such transfer.

27 (b) For the purposes of this subsection, stockholders, bondholders, partners, or

1 other persons holding an interest in a corporation or other entity are regarded
2 as having the "real or ultimate ownership" of the tangible personal property or
3 digital property of such corporation or other entity;

4 ~~(29)~~~~(28)~~ (a) "Other direct mail" means any direct mail that is not advertising and
5 promotional direct mail, regardless of whether advertising and promotional
6 direct mail is included in the same mailing.

7 (b) "Other direct mail" includes but is not limited to:

- 8 1. Transactional direct mail that contains personal information specific to
9 the addressee, including but not limited to invoices, bills, statements of
10 account, and payroll advices;
- 11 2. Any legally required mailings, including but not limited to privacy
12 notices, tax reports, and stockholder reports; and
- 13 3. Other nonpromotional direct mail delivered to existing or former
14 shareholders, customers, employees, or agents, including but not limited
15 to newsletters and informational pieces.

16 (c) "Other direct mail" does not include the development of billing information or
17 the provision of any data processing service that is more than incidental to the
18 production of printed material;

19 ~~(30)~~~~(29)~~ "Person" includes any individual, firm, copartnership, joint venture,
20 association, social club, fraternal organization, corporation, estate, trust, business
21 trust, receiver, trustee, syndicate, cooperative, assignee, governmental unit or
22 agency, or any other group or combination acting as a unit;

23 ~~(31)~~~~(30)~~ "Permanent," as the term applies to digital property, means perpetual or for an
24 indefinite or unspecified length of time;

25 ~~(32)~~~~(31)~~ (a) "Photography and photofinishing services" means:

- 26 1. The taking, developing, or printing of an original photograph; or
- 27 2. Image editing, including shadow removal, tone adjustments, vertical and

1 horizontal alignment and cropping, composite image creation,
2 formatting, watermarking printing, and delivery of an original
3 photograph in the form of tangible personal property, digital property, or
4 other media.

5 (b) "Photography and photofinishing services" does not include photography
6 services necessary for medical or dental health;

7 ~~(33)~~~~(32)~~ "Plant facility" means a single location that is exclusively dedicated to
8 manufacturing or industrial processing activities. A location shall be deemed to be
9 exclusively dedicated to manufacturing or industrial processing activities even if
10 retail sales are made there, provided that the retail sales are incidental to the
11 manufacturing or industrial processing activities occurring at the location. The term
12 "plant facility" does~~shall~~ not include any restaurant, grocery store, shopping
13 center, or other retail establishment;

14 ~~(34)~~~~(33)~~ (a) "Prewritten computer software" means:

- 15 1. Computer software, including prewritten upgrades, that are not designed
16 and developed by the author or other creator to the specifications of a
17 specific purchaser;
- 18 2. Software designed and developed by the author or other creator to the
19 specifications of a specific purchaser when it is sold to a person other
20 than the original purchaser; or
- 21 3. Any portion of prewritten computer software that is modified or
22 enhanced in any manner, where the modification or enhancement is
23 designed and developed to the specifications of a specific purchaser,
24 unless there is a reasonable, separately stated charge on an invoice or
25 other statement of the price to the purchaser for the modification or
26 enhancement.

27 (b) When a person modifies or enhances computer software of which the person

1 is not the author or creator, the person shall be deemed to be the author or
2 creator only of the modifications or enhancements the person actually made.

3 (c) The combining of two (2) or more prewritten computer software programs or
4 portions thereof does not cause the combination to be other than prewritten
5 computer software;

6 ~~(35)~~~~(34)~~ "Prewritten computer software access services" means the right of access to
7 prewritten computer software where the object of the transaction is to use the
8 prewritten computer software while possession of the prewritten computer software
9 is maintained by the seller or a third party, wherever located, regardless of whether
10 the charge for the access or use is on a per use, per user, per license, subscription, or
11 some other basis;

12 ~~(36)~~~~(35)~~ (a) "Purchase" means any transfer of title or possession, exchange, barter,
13 lease, or rental, conditional or otherwise, in any manner or by any means
14 whatsoever, of:

- 15 1. Tangible personal property;
 - 16 2. An extended warranty service;
 - 17 3. Digital property transferred electronically; or
 - 18 4. Services included in KRS 139.200;
- 19 for a consideration.

20 (b) "Purchase" includes:

- 21 1. When performed outside this state or when the customer gives a resale
22 certificate, the producing, fabricating, processing, printing, or imprinting
23 of tangible personal property for a consideration for consumers who
24 furnish either directly or indirectly the materials used in the producing,
25 fabricating, processing, printing, or imprinting;
- 26 2. A transaction whereby the possession of tangible personal property or
27 digital property is transferred but the seller retains the title as security

1 for the payment of the price; and

2 3. A transfer for a consideration of the title or possession of tangible
3 personal property or digital property which has been produced,
4 fabricated, or printed to the special order of the customer, or of any
5 publication;

6 ~~(37)~~~~(36)~~ "Recycled materials" means materials which have been recovered or diverted
7 from the solid waste stream and reused or returned to use in the form of raw
8 materials or products;

9 ~~(38)~~~~(37)~~ "Recycling purposes" means those activities undertaken in which materials
10 that would otherwise become solid waste are collected, separated, or processed in
11 order to be reused or returned to use in the form of raw materials or products;

12 ~~(39)~~~~(38)~~ "Remote retailer" means a retailer with no physical presence in this state;

13 ~~(40)~~~~(39)~~ (a) "Repair, replacement, or spare parts" means any tangible personal
14 property used to maintain, restore, mend, or repair machinery or equipment.

15 (b) "Repair, replacement, or spare parts" does not include machine oils, grease, or
16 industrial tools;

17 ~~(41)~~~~(40)~~ (a) "Retailer" means:

18 1. Every person engaged in the business of making retail sales of tangible
19 personal property, digital property, or furnishing any services in a retail
20 sale included in KRS 139.200;

21 2. Every person engaged in the business of making sales at auction of
22 tangible personal property or digital property owned by the person or
23 others for storage, use or other consumption, except as provided in
24 paragraph (c) of this subsection;

25 3. Every person making more than two (2) retail sales of tangible personal
26 property, digital property, or services included in KRS 139.200 during
27 any twelve (12) month period, including sales made in the capacity of

- 1 assignee for the benefit of creditors, or receiver or trustee in bankruptcy;
- 2 4. Any person conducting a race meeting under the provision of KRS
- 3 Chapter 230, with respect to horses which are claimed during the
- 4 meeting.
- 5 (b) When the department determines that it is necessary for the efficient
- 6 administration of this chapter to regard any salesmen, representatives,
- 7 peddlers, or canvassers as the agents of the dealers, distributors, supervisors or
- 8 employers under whom they operate or from whom they obtain the tangible
- 9 personal property, digital property, or services sold by them, irrespective of
- 10 whether they are making sales on their own behalf or on behalf of the dealers,
- 11 distributors, supervisors or employers, the department may so regard them and
- 12 may regard the dealers, distributors, supervisors or employers as retailers for
- 13 purposes of this chapter.
- 14 (c) 1. Any person making sales at a charitable auction for a qualifying entity
- 15 shall not be a retailer for purposes of the sales made at the charitable
- 16 auction if:
- 17 a. The qualifying entity, not the person making sales at the auction, is
- 18 sponsoring the auction;
- 19 b. The purchaser of tangible personal property at the auction directly
- 20 pays the qualifying entity sponsoring the auction for the property
- 21 and not the person making the sales at the auction; and
- 22 c. The qualifying entity, not the person making sales at the auction, is
- 23 responsible for the collection, control, and disbursement of the
- 24 auction proceeds.
- 25 2. If the conditions set forth in subparagraph 1. of this paragraph are met,
- 26 the qualifying entity sponsoring the auction shall be the retailer for
- 27 purposes of the sales made at the charitable auction.

- 1 3. For purposes of this paragraph, "qualifying entity" means a resident:
- 2 a. Church;
- 3 b. School;
- 4 c. Civic club; or
- 5 d. Any other nonprofit charitable, religious, or educational
- 6 organization;

7 ~~(42)~~~~(41)~~ "Retail sale" means any sale, lease, or rental for any purpose other than resale,

8 sublease, or subrent;

9 ~~(43)~~~~(42)~~ (a) "Ringtones" means digitized sound files that are downloaded onto a

10 device and that may be used to alert the customer with respect to a

11 communication.

12 (b) "Ringtones" ~~shall~~ **does** not include ringback tones or other digital files that

13 are not stored on the purchaser's communications device;

14 ~~(44)~~~~(43)~~ (a) "Sale" means:

- 15 1. The furnishing of any services included in KRS 139.200; **or**
- 16 2. Any transfer of title or possession, exchange, barter, lease, or rental,
- 17 conditional or otherwise, in any manner or by any means whatsoever,
- 18 of:
- 19 a. Tangible personal property; or
- 20 b. Digital property transferred electronically;

21 for a consideration.

22 (b) "Sale" includes but is not limited to:

- 23 1. The producing, fabricating, processing, printing, or imprinting of
- 24 tangible personal property or digital property for a consideration for
- 25 purchasers who furnish, either directly or indirectly, the materials used
- 26 in the producing, fabricating, processing, printing, or imprinting;
- 27 2. A transaction whereby the possession of tangible personal property or

1 digital property is transferred, but the seller retains the title as security
2 for the payment of the price; and

3 3. A transfer for a consideration of the title or possession of tangible
4 personal property or digital property which has been produced,
5 fabricated, or printed to the special order of the purchaser.

6 (c) This definition shall apply regardless of the classification of a transaction
7 under generally accepted accounting principles, the Internal Revenue Code, or
8 other provisions of federal, state, or local law;

9 ~~(45)~~~~((44))~~ "Seller" includes every person engaged in the business of selling tangible
10 personal property, digital property, or services of a kind, the gross receipts from the
11 retail sale of which are required to be included in the measure of the sales tax, and
12 every person engaged in making sales for resale;

13 ~~(46)~~~~((45))~~ (a) "Storage" includes any keeping or retention in this state for any purpose
14 except sale in the regular course of business or subsequent use solely outside
15 this state of tangible personal property, digital property, or prewritten
16 computer software access services purchased from a retailer.

17 (b) "Storage" does not include the keeping, retaining, or exercising any right or
18 power over tangible personal property for the purpose of subsequently
19 transporting it outside the state for use thereafter solely outside the state, or
20 for the purpose of being processed, fabricated, or manufactured into, attached
21 to, or incorporated into, other tangible personal property to be transported
22 outside the state and thereafter used solely outside the state;

23 ~~(47)~~~~((46))~~ "Tangible personal property" means personal property which may be seen,
24 weighed, measured, felt, or touched, or which is in any other manner perceptible to
25 the senses and includes natural, artificial, and mixed gas, electricity, water, steam,
26 and prewritten computer software;

27 ~~(48)~~~~((47))~~ "Taxpayer" means any person liable for tax under this chapter;

1 ~~(49)~~~~(48)~~ "Telemarketing services" means services provided via telephone, facsimile,
2 electronic mail, text messages, or other modes of communications to another
3 person, which are unsolicited by that person, for the purposes of:

- 4 (a) 1. Promoting products or services;
5 2. Taking orders; or
6 3. Providing information or assistance regarding the products or services;
7 or
8 (b) Soliciting contributions;

9 ~~(50)~~~~(49)~~ "Transferred electronically" means accessed or obtained by the purchaser by
10 means other than tangible storage media; and

11 ~~(51)~~~~(50)~~ (a) "Use" includes the exercise of:

- 12 1. Any right or power over tangible personal property or digital property
13 incident to the ownership of that property, or by any transaction in
14 which possession is given, or by any transaction involving digital
15 property or tangible personal property where the right of access is
16 granted; or
17 2. Any right or power to benefit from any services subject to tax under
18 KRS 139.200(2)(p) to ~~(av)~~~~(ax)~~.

19 (b) "Use" does not include the keeping, retaining, or exercising any right or
20 power over:

- 21 1. Tangible personal property or digital property for the purpose of:
22 a. Selling tangible personal property or digital property in the regular
23 course of business; or
24 b. Subsequently transporting tangible personal property outside the
25 state for use thereafter solely outside the state, or for the purpose
26 of being processed, fabricated, or manufactured into, attached to,
27 or incorporated into, other tangible personal property to be

1 transported outside the state and thereafter used solely outside the
2 state; or

3 2. Prewritten computer software access services and data brokering
4 services purchased for use outside the state and transferred
5 electronically outside the state for use thereafter solely outside the state.

6 ➔Section 11. KRS 139.200 is amended to read as follows:

7 A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross
8 receipts derived from:

9 (1) Retail sales of:

10 (a) Tangible personal property, regardless of the method of delivery, made within
11 this Commonwealth; and

12 (b) Digital property regardless of whether:

13 1. The purchaser has the right to permanently use the property;

14 2. The purchaser's right to access or retain the property is not permanent;
15 or

16 3. The purchaser's right of use is conditioned upon continued payment; and

17 (2) The furnishing of the following services:

18 (a) The rental of any room or rooms, lodgings, campsites, or accommodations
19 furnished by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds,
20 recreational vehicle parks, or any other place in which rooms, lodgings,
21 campsites, or accommodations are regularly furnished to transients for a
22 consideration. The tax shall not apply to rooms, lodgings, campsites, or
23 accommodations supplied for a continuous period of thirty (30) days or more
24 to a person;

25 (b) Sewer services;

26 (c) The sale of admissions, except:

27 1. Admissions to enter the grounds or enclosure of any track licensed

- 1 under KRS Chapter 230 at which live horse racing or historical horse
2 racing is being conducted under the jurisdiction of the Kentucky Horse
3 Racing and Gaming Corporation;
- 4 2. Admissions taxed under KRS 229.031;
- 5 3. Admissions that are charged by nonprofit educational, charitable, or
6 religious institutions and for which an exemption is provided under KRS
7 139.495; and
- 8 4. Admissions that are charged by nonprofit civic, governmental, or other
9 nonprofit organizations and for which an exemption is provided under
10 KRS 139.498;
- 11 (d) Prepaid calling service and prepaid wireless calling service;
- 12 (e) Intrastate, interstate, and international communications services as defined in
13 KRS 139.195, ***including***~~except~~ the furnishing of pay telephone service as
14 defined in KRS 139.195;
- 15 (f) Distribution, transmission, or transportation services for natural gas that is for
16 storage, use, or other consumption in this state, excluding those services
17 furnished:
- 18 1. For natural gas that is classified as residential use as provided in KRS
19 139.470(7); or
- 20 2. To a seller or reseller of natural gas;
- 21 (g) Landscaping services, including but not limited to:
- 22 1. Lawn care and maintenance services;
- 23 2. Tree trimming, pruning, or removal services;
- 24 3. Landscape design and installation services;
- 25 4. Landscape care and maintenance services; and
- 26 5. Snow plowing or removal services;
- 27 (h) Janitorial services, including but not limited to residential and commercial

- 1 cleaning services, and carpet, upholstery, and window cleaning services;
- 2 (i) Small animal veterinary services, excluding veterinary services for equine,
3 cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds,
4 buffaloes~~[buffalo]~~, and cervids;
- 5 (j) Pet care services, including but not limited to grooming and boarding
6 services, pet sitting services, and pet obedience training services;
- 7 (k) Industrial laundry services, including but not limited to industrial uniform
8 supply services, protective apparel supply services, and industrial mat and rug
9 supply services;
- 10 (l) Non-coin-operated laundry and dry cleaning services;
- 11 (m) Linen supply services, including but not limited to table and bed linen supply
12 services and nonindustrial uniform supply services;
- 13 (n) Indoor skin tanning services, including but not limited to tanning booth or
14 tanning bed services and spray tanning services;
- 15 (o) Non-medical diet and weight reducing services;
- 16 (p) Extended warranty services;
- 17 (q) Photography and photofinishing services;
- 18 (r) Telemarketing services;
- 19 (s) Public opinion and research polling services;
- 20 (t) Lobbying services;
- 21 (u) Executive employee recruitment services;
- 22 (v) Website design and development services;
- 23 (w) Website hosting services;
- 24 (x) Facsimile transmission services;
- 25 (y) Private mailroom services, including:
- 26 1. Presorting mail and packages by postal code;
- 27 2. Address barcoding;

- 1 3. Tracking;
- 2 4. Delivery to postal service; and
- 3 5. Private mailbox rentals;
- 4 (z) Bodyguard services;
- 5 (aa) Residential and nonresidential security system monitoring services, excluding
- 6 separately stated onsite security guard services;
- 7 (ab) Private investigation services;
- 8 (ac) Process server services;
- 9 (ad) Repossession of tangible personal property services;
- 10 (ae) Personal background check services;
- 11 (af) Parking services;
- 12 1. Including:
- 13 a. Valet services; and
- 14 b. The use of parking lots and parking structures; but
- 15 2. Excluding any parking services at an educational institution;
- 16 (ag) Road and travel services provided by automobile clubs as defined in KRS
- 17 281.010;
- 18 (ah) Condominium time-share exchange services;
- 19 (ai) Rental of space for meetings, conventions, short-term business uses,
- 20 entertainment events, weddings, banquets, parties, and other short-term social
- 21 events;
- 22 (aj) Social event planning and coordination services;
- 23 (ak) Leisure, recreational, and athletic instructional services;
- 24 (al) Recreational camp tuition and fees;
- 25 (am) Personal fitness training services;
- 26 (an) Massage services, except when medically necessary;
- 27 (ao) Cosmetic surgery services;

- 1 (ap) Body modification services, including tattooing, piercing, scarification,
 2 branding, tongue splitting, transdermal and subdermal implants, ear pointing,
 3 teeth pointing, and any other modifications that are not necessary for medical
 4 or dental health;
- 5 (aq) Laboratory testing services, excluding laboratory testing:
 6 1. For medical, educational, or veterinary reasons; or
 7 2. Required by a federal, state, or local statute, regulation, court order, or
 8 other government-related requirement;
- 9 (ar) Interior decorating and design services;
- 10 (as) Household moving services;
- 11 (at) Specialized design services, including the design of clothing, costumes,
 12 fashion, furs, jewelry, shoes, textiles, and lighting;
- 13 (au) Lapidary services, including cutting, polishing, and engraving precious
 14 stones;
- 15 (av) Labor and services to repair or maintain commercial refrigeration equipment
 16 and systems when no tangible personal property is sold in that transaction
 17 including service calls and trip charges;
- 18 (aw) Labor to repair or alter apparel, footwear, watches, or jewelry when no
 19 tangible personal property is sold in that transaction;~~and~~
- 20 (ax) Prewritten computer software access services; **and**
- 21 **(ay) Data brokering services.**
- 22 ➔Section 12. KRS 139.202 is amended to read as follows:
- 23 **(1)** Excluded from the additional taxable services imposed by KRS 139.200(2)(q) to
 24 (ax) are gross receipts derived from:
- 25 ~~**(a)(1)**~~ Sales of the services in fulfillment of a lump-sum, fixed-fee contract or a
 26 fixed price sales contract executed on or before February 25, 2022; and
- 27 ~~**(b)(2)**~~ A lease or rental agreement entered into on or before February 25, 2022.

1 (2) Excluded from the additional taxable services imposed by subsection (2)(a) of
 2 Section 11 of this Act are gross receipts derived from:

- 3 (a) Sales of the services in fulfillment of a lump-sum, fixed-fee contract or a
 4 fixed price sales contract executed on or before February 25, 2026; and
 5 (b) A lease or rental agreement entered into on or before February 25, 2026.

6 →Section 13. KRS 139.260 is amended to read as follows:

7 For the purpose of the proper administration of this chapter and to prevent evasion of the
 8 duty to collect the taxes imposed by KRS 139.200 and 139.310, it shall be presumed that
 9 all gross receipts and all tangible personal property, digital property, and services sold by
 10 any person for delivery or access in this state are subject to the tax until the contrary is
 11 established. The burden of proving the contrary is upon the person who makes the sale of:

12 (1) (a) Except as provided in paragraph (b) of this subsection, tangible personal
 13 property or digital property unless the person takes from the purchaser a
 14 certificate to the effect that the property is either:

- 15 1. Purchased for resale according to the provisions of KRS 139.270;
 16 2. Purchased through a fully completed certificate of exemption or fully
 17 completed Streamlined Sales and Use Tax Agreement Certificate of
 18 Exemption in accordance with KRS 139.270; or
 19 3. Purchased according to administrative regulations promulgated by the
 20 department governing a direct pay authorization; or

21 (b) Tangible personal property to a purchaser claiming an agriculture exemption
 22 under KRS 139.480(4) to (9), (11), (13) to (15), (22) to (29), or (32)~~[(23) to~~
 23 ~~(30), or (33)]~~ unless the person obtains from the purchaser an agriculture
 24 exemption license number or a fully completed Streamlined Sales and Use
 25 Tax Agreement Certificate of Exemption that contains an agriculture
 26 exemption license number in accordance with KRS 139.270;

27 (2) A service included in KRS 139.200(2)(a) to (f) unless the person takes from the

1 purchaser a certificate to the effect that the service is purchased through a fully
 2 completed certificate of exemption or fully completed Streamlined Sales and Use
 3 Tax Agreement Certificate of Exemption in accordance with KRS 139.270; and

4 (3) A service included in KRS 139.200(2)(g) to (ay)~~[(ax)]~~ unless the person takes from
 5 the purchaser a certificate to the effect that the service is:

6 (a) Purchased for resale according to KRS 139.270;

7 (b) Purchased through a fully completed certificate of exemption or fully
 8 completed Streamlined Sales and Use Tax Agreement Certificate of
 9 Exemption in accordance with KRS 139.270; or

10 (c) Purchased according to administrative regulations promulgated by the
 11 department governing a direct pay authorization.

12 ➔Section 14. KRS 139.310 is amended to read as follows:

13 (1) An excise tax is hereby imposed on the storage, use, or other consumption in this
 14 state of tangible personal property, digital property, and services listed under KRS
 15 139.200(2)(p) to (ay)~~[(ax)]~~ purchased for storage, use, or other consumption in this
 16 state at the rate of six percent (6%) of the sales price.

17 (2) The excise tax applies to the purchase of digital property regardless of whether:

18 (a) The purchaser has the right to permanently use the goods;

19 (b) The purchaser's right to access or retain the digital property is not permanent;
 20 or

21 (c) The purchaser's right of use is conditioned upon continued payment.

22 ➔Section 15. KRS 139.340 is amended to read as follows:

23 (1) Except as provided in KRS 139.470 and 139.480, every retailer engaged in business
 24 in this state shall collect the tax imposed by KRS 139.310 from the purchaser and
 25 give to the purchaser a receipt therefor in the manner and form prescribed by the
 26 department. The taxes collected or required to be collected by the retailer under this
 27 section shall be deemed to be held in trust for and on account of the

1 Commonwealth.

2 (2) "Retailer engaged in business in this state" as used in KRS 139.330 and this section
3 includes any of the following:

4 (a) Any retailer maintaining, occupying, or using, permanently or temporarily,
5 directly or indirectly, or through a subsidiary or any other related entity,
6 representative, or agent, by whatever name called, an office, place of
7 distribution, sales or sample room or place, warehouse or storage place, or
8 other place of business. Property owned by a person who has contracted with
9 a printer for printing, which consists of the final printed product, property
10 which becomes a part of the final printed product, or copy from which the
11 printed product is produced, and which is located at the premises of the
12 printer, shall not be deemed to be an office, place of distribution, sales or
13 sample room or place, warehouse or storage place, or other place of business
14 maintained, occupied, or used by the person;

15 (b) Any retailer having any representative, agent, salesman, canvasser, or solicitor
16 operating in this state under the authority of the retailer or its subsidiary for
17 the purpose of selling, delivering, or the taking of orders for any tangible
18 personal property, digital property, or any services subject to tax under KRS
19 139.200(2)(p) to (ay)~~[(ax)]~~. An unrelated printer with which a person has
20 contracted for printing shall not be deemed to be a representative, agent,
21 salesman, canvasser, or solicitor for the person;

22 (c) Any retailer soliciting orders for tangible personal property, digital property,
23 or any services subject to tax under KRS 139.200(2)(p) to (ay)~~[(ax)]~~ from
24 residents of this state on a continuous, regular, or systematic basis in which
25 the solicitation of the order, placement of the order by the customer or the
26 payment for the order utilizes the services of any financial institution,
27 telecommunication system, radio or television station, cable television

- 1 service, print media, or other facility or service located in this state;
- 2 (d) Any retailer deriving receipts from the lease or rental of tangible personal
3 property situated in this state;
- 4 (e) Any retailer soliciting orders for tangible personal property, digital property,
5 or any services subject to tax under KRS 139.200(2)(p) to (ay)~~[(ax)]~~ from
6 residents of this state on a continuous, regular, systematic basis if the retailer
7 benefits from an agent or representative operating in this state under the
8 authority of the retailer to repair or service tangible personal property or
9 digital property sold by the retailer;
- 10 (f) Any retailer located outside Kentucky that uses a representative in Kentucky,
11 either full-time or part-time, if the representative performs any activities that
12 help establish or maintain a marketplace for the retailer, including receiving or
13 exchanging returned merchandise; or
- 14 (g) 1. Any remote retailer selling tangible personal property, ~~or~~ digital
15 property, or services delivered, ~~or~~ transferred electronically, or
16 provided to a purchaser in this state, including retail sales facilitated by
17 a marketplace provider on behalf of the remote retailer~~;~~ if ~~:~~
- 18 ~~a. The remote retailer sold tangible personal property or digital property that was~~
19 ~~delivered or transferred electronically to a purchaser in this state in two~~
20 ~~hundred (200) or more separate transactions in the previous calendar~~
21 ~~year or the current calendar year; or~~
- 22 ~~b.~~ the remote retailer's gross receipts derived from the sale of tangible personal
23 property, ~~or~~ digital property, or services delivered, ~~or~~ transferred
24 electronically, or provided to a purchaser in this state in the previous
25 calendar year or current calendar year exceeds one hundred thousand
26 dollars (\$100,000).
- 27 2. Any remote retailer that meets the~~either~~ threshold provided in

1 subparagraph 1. of this paragraph shall register for a sales and use tax
2 permit and collect the tax imposed by KRS 139.310 from the purchaser
3 no later than the first day of the calendar month that is at the most sixty
4 (60) days after ~~the~~~~either~~ threshold is reached.

5 ➔Section 16. KRS 139.470 is amended to read as follows:

6 There are excluded from the computation of the amount of taxes imposed by this chapter:

- 7 (1) Gross receipts from the sale of, and the storage, use, or other consumption in this
8 state of, tangible personal property or digital property which this state is prohibited
9 from taxing under the Constitution or laws of the United States, or under the
10 Constitution of this state;
- 11 (2) Gross receipts from sales of, and the storage, use, or other consumption in this state
12 of:
- 13 (a) Nonreturnable and returnable containers when sold without the contents to
14 persons who place the contents in the container and sell the contents together
15 with the container; and
- 16 (b) Returnable containers when sold with the contents in connection with a retail
17 sale of the contents or when resold for refilling;

18 As used in this ~~subsection~~~~section~~ the term "returnable containers" means
19 containers of a kind customarily returned by the buyer of the contents for reuse. All
20 other containers are "nonreturnable containers";

- 21 (3) Gross receipts from occasional sales of tangible personal property or digital
22 property and the storage, use, or other consumption in this state of tangible personal
23 property or digital property, the transfer of which to the purchaser is an occasional
24 sale;
- 25 (4) Gross receipts from sales of tangible personal property to a common carrier,
26 shipped by the retailer via the purchasing carrier under a bill of lading, whether the
27 freight is paid in advance or the shipment is made freight charges collect, to a point

1 outside this state and the property is actually transported to the out-of-state
2 destination for use by the carrier in the conduct of its business as a common carrier;

3 (5) Gross receipts from sales of tangible personal property sold through coin-operated
4 bulk vending machines, if the sale amounts to fifty cents (\$0.50) or less, if the
5 retailer is primarily engaged in making the sales and maintains records satisfactory
6 to the department. As used in this subsection, "bulk vending machine" means a
7 vending machine containing unsorted merchandise which, upon insertion of a coin,
8 dispenses the same in approximately equal portions, at random and without
9 selection by the customer;

10 (6) Gross receipts from sales:

11 (a) To any cabinet, department, bureau, commission, board, or other statutory or
12 constitutional agency of the state and gross receipts from sales to counties,
13 cities, or special districts as defined in KRS 65.005. This exemption shall
14 apply only to purchases of tangible personal property, digital property, or
15 services for use solely in the government function. A purchaser not qualifying
16 as a governmental agency or unit shall not be entitled to the exemption even
17 though the purchaser may be the recipient of public funds or grants; and

18 (b) Of data brokering services by:

19 1. Any cabinet, department, bureau, commission, board, or other
20 statutory or constitutional agency of this state; or

21 2. Counties, cities, or special districts as defined in KRS 65.005;

22 (7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky
23 residents for use in heating, water heating, cooking, lighting, and other
24 residential uses if the sewer services, water, and fuel are purchased and
25 declared by the resident as used in his or her place of domicile.

26 (b) As used in this subsection:

27 1. "Fuel" includes but is not ~~shall include but not be~~ limited to natural

1 gas, electricity, fuel oil, bottled gas, coal, coke, and wood; and

2 2. "Place of domicile" means the place where an individual has his or her
3 legal, true, fixed, and permanent home and principal establishment, and
4 to which, whenever the individual is absent, the individual has the
5 intention of returning.

6 (c) Determinations of eligibility for the exemption shall be made by the
7 department.

8 (d) The exemption shall apply to charges for sewer service, water, and fuel billed
9 to an owner or operator of a multi-unit residential rental facility or mobile
10 home and recreational vehicle park if the owner or operator declares that the
11 sewer services, water, and fuel are purchased for Kentucky residents to be
12 used in the resident's place of domicile.

13 (e) The exemption shall apply also to residential property which may be held by
14 legal or equitable title, by the entirety, jointly, in common, as a
15 condominium, or indirectly by the stock ownership or membership
16 representing the owner's or member's proprietary interest in a corporation
17 owning a fee or a leasehold initially in excess of ninety-eight (98) years if the
18 sewer services, water, and fuel are purchased for and declared by the
19 Kentucky resident as used in his or her place of domicile;

20 (8) Gross receipts from sales to an out-of-state agency, organization, or institution
21 exempt from sales and use tax in its state of residence when that agency,
22 organization, or institution gives proof of its tax-exempt status to the retailer and the
23 retailer maintains a file of the proof;

24 (9) (a) Gross receipts derived from the sale of tangible personal property, as provided
25 in paragraph (b) of this subsection, to a manufacturer or industrial processor if
26 the property is to be directly used in the manufacturing or industrial
27 processing process of:

- 1 1. Tangible personal property at a plant facility;
- 2 2. Distilled spirits or wine at a plant facility or on the premises of a
- 3 distiller, rectifier, winery, or small farm winery licensed under KRS
- 4 243.030 that includes a retail establishment on the premises; or
- 5 3. Malt beverages at a plant facility or on the premises of a brewer or
- 6 microbrewery licensed under KRS 243.040 that includes a retail
- 7 establishment;
- 8 and which will be for sale.

9 (b) The following tangible personal property shall qualify for exemption under
10 this subsection:

- 11 1. Materials which enter into and become an ingredient or component part
- 12 of the manufactured product;
- 13 2. Other tangible personal property which is directly used in the
- 14 manufacturing or industrial processing process, if the property has a
- 15 useful life of less than one (1) year. Specifically, these items are
- 16 categorized as follows:
 - 17 a. Materials. This refers to the raw materials which become an
 - 18 ingredient or component part of supplies or industrial tools exempt
 - 19 under subdivisions b. and c. below;
 - 20 b. Supplies. This category includes supplies such as lubricating and
 - 21 compounding oils, grease, machine waste, abrasives, chemicals,
 - 22 solvents, fluxes, anodes, filtering materials, fire brick, catalysts,
 - 23 dyes, refrigerants, and explosives. The supplies indicated above
 - 24 need not come in direct contact with a manufactured product to be
 - 25 exempt. "Supplies" does not include repair, replacement, or spare
 - 26 parts of any kind; and
 - 27 c. Industrial tools. This group is limited to hand tools such as jigs,

1 dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns
2 and to tools attached to a machine such as molds, grinding balls,
3 grinding wheels, dies, bits, and cutting blades. Normally, for
4 industrial tools to be considered directly used in the manufacturing
5 or industrial processing process, they shall come into direct
6 contact with the product being manufactured or processed; and

7 3. Materials and supplies that are not reusable in the same manufacturing
8 or industrial processing process at the completion of a single
9 manufacturing or processing cycle. A single manufacturing cycle shall
10 be considered to be the period elapsing from the time the raw materials
11 enter into the manufacturing process until the finished product emerges
12 at the end of the manufacturing process.

13 (c) The property described in paragraph (b) of this subsection shall be regarded as
14 having been purchased for resale.

15 (d) For purposes of this subsection, a manufacturer or industrial processor
16 includes an individual or business entity that performs only part of the
17 manufacturing or industrial processing activity, and the person or business
18 entity need not take title to tangible personal property that is incorporated
19 into, or becomes the product of, the activity.

20 (e) The exemption provided in this subsection does not include repair,
21 replacement, or spare parts;

22 (10) Any water use fee paid or passed through to the Kentucky River Authority by
23 facilities using water from the Kentucky River basin to the Kentucky River
24 Authority in accordance with KRS 151.700 to 151.730 and administrative
25 regulations promulgated by the authority;

26 (11) (a) 1. Gross receipts from the sale of newspaper inserts or catalogs purchased
27 for storage, use, or other consumption outside this state and delivered by

1 the retailer's own vehicle to a location outside this state, or delivered to
 2 the United States Postal Service, a common carrier, or a contract carrier
 3 for delivery outside this state, regardless of whether the carrier is
 4 selected by the purchaser or retailer or an agent or representative of the
 5 purchaser or retailer, or whether the F.O.B. is retailer's shipping point or
 6 purchaser's destination.

7 ~~2.[(a)]~~ As used in this paragraph~~[subsection]~~:

8 ~~a.[(1)]~~ "Catalogs" means tangible personal property that is printed to the
 9 special order of the purchaser and composed substantially of
 10 information regarding goods and services offered for sale; and

11 ~~b.[(2)]~~ "Newspaper inserts" means printed materials that are placed in or
 12 distributed with a newspaper of general circulation.

13 (b) The retailer shall be responsible for establishing that delivery was made to a
 14 non-Kentucky location through shipping documents or other credible
 15 evidence as determined by the department;

16 (12) Gross receipts from the sale of water used in the raising of equine as a business;

17 (13) (a) 1. Gross receipts from the sale of metal retail fixtures manufactured in this
 18 state and purchased for storage, use, or other consumption outside this
 19 state and delivered by the retailer's own vehicle to a location outside this
 20 state, or delivered to the United States Postal Service, a common carrier,
 21 or a contract carrier for delivery outside this state, regardless of whether
 22 the carrier is selected by the purchaser or retailer or an agent or
 23 representative of the purchaser or retailer, or whether the F.O.B. is the
 24 retailer's shipping point or the purchaser's destination.

25 ~~2.[(a)]~~ As used in this paragraph~~[subsection]~~, "metal retail fixtures"
 26 means check stands and belted and nonbelted checkout counters,
 27 whether made in bulk or pursuant to specific purchaser specifications,

1 that are to be used directly by the purchaser or to be distributed by the
2 purchaser.

3 (b) The retailer shall be responsible for establishing that delivery was made to a
4 non-Kentucky location through shipping documents or other credible
5 evidence as determined by the department;

6 (14) Gross receipts from the sale of unenriched or enriched uranium purchased for
7 ultimate storage, use, or other consumption outside this state and delivered to a
8 common carrier in this state for delivery outside this state, regardless of whether the
9 carrier is selected by the purchaser or retailer, or is an agent or representative of the
10 purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or
11 purchaser's destination;

12 (15) Amounts received from a tobacco buydown. As used in this subsection, "buydown"
13 means an agreement whereby an amount, whether paid in money, credit, or
14 otherwise, is received by a retailer from a manufacturer or wholesaler based upon
15 the quantity and unit price of tobacco products sold at retail that requires the retailer
16 to reduce the selling price of the product to the purchaser without the use of a
17 manufacturer's or wholesaler's coupon or redemption certificate;

18 (16) Gross receipts from the sale of tangible personal property or digital property
19 returned by a purchaser when the full sales price is refunded either in cash or credit.
20 This exclusion shall not apply if the purchaser, in order to obtain the refund, is
21 required to purchase other tangible personal property or digital property at a price
22 greater than the amount charged for the property that is returned;

23 (17) Gross receipts from the sales of gasoline and special fuels subject to tax under KRS
24 Chapter 138;

25 (18) The amount of any tax imposed by the United States upon or with respect to retail
26 sales, whether imposed on the retailer or the consumer, not including any
27 manufacturer's excise or import duty;

- 1 (19) Gross receipts from the sale of any motor vehicle as defined in KRS 138.450 which
2 is:
- 3 (a) Sold to a Kentucky resident, registered for use on the public highways, and
4 upon which any applicable tax levied by KRS 138.460 has been paid; or
- 5 (b) Sold to a nonresident of Kentucky if the nonresident registers the motor
6 vehicle in a state that:
- 7 1. Allows residents of Kentucky to purchase motor vehicles without
8 payment of that state's sales tax at the time of sale; or
- 9 2. Allows residents of Kentucky to remove the vehicle from that state
10 within a specific period for subsequent registration and use in Kentucky
11 without payment of that state's sales tax;
- 12 (20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and
13 trailer as defined in KRS 189.010(17);
- 14 (21) Gross receipts from the collection of:
- 15 (a) Any fee or charge levied by a local government pursuant to KRS 65.760;
- 16 (b) The charge imposed by KRS 65.7629(3);
- 17 (c) The fee imposed by KRS 65.7634; and
- 18 (d) The service charge imposed by KRS 65.7636;
- 19 (22) Gross receipts derived from charges for labor or services to apply, install, repair, or
20 maintain tangible personal property directly used in manufacturing or industrial
21 processing process of:
- 22 (a) Tangible personal property at a plant facility;
- 23 (b) Distilled spirits or wine at a plant facility or on the premises of a distiller,
24 rectifier, winery, or small farm winery licensed under KRS 243.030; or
- 25 (c) Malt beverages at a plant facility or on the premises of a brewer or
26 microbrewery licensed under KRS 243.040;
- 27 that is not otherwise exempt under subsection (9) of this section or KRS

1 139.480(10), if the charges for labor or services are separately stated on the invoice,
2 bill of sale, or similar document given to purchaser;

3 (23) (a) For persons selling services included in KRS 139.200(2)(g) to (ax) prior to
4 January 1, 2025, gross receipts derived from the sale of those services if the
5 gross receipts were less than twelve thousand dollars (\$12,000) during
6 calendar year 2024. When gross receipts from these services exceed twelve
7 thousand dollars (\$12,000) in a calendar year:

- 8 1. All gross receipts over twelve thousand dollars (\$12,000) are taxable in
9 that calendar year; and
- 10 2. All gross receipts are subject to tax in subsequent calendar years.

11 (b) The exemption provided in this subsection shall not apply to a person also
12 engaged in the business of selling tangible personal property, digital property,
13 or services included in KRS 139.200(2)(a) to (f); and

14 (24) (a) For persons that first begin making sales of services included in KRS
15 139.200(2)(g) to (ax) on or after January 1, 2025, gross receipts derived from
16 the sale of those services if the gross receipts are less than twelve thousand
17 dollars (\$12,000) within the first calendar year of operation. When gross
18 receipts from these services exceed twelve thousand dollars (\$12,000) in a
19 calendar year:

- 20 1. All gross receipts over twelve thousand dollars (\$12,000) are taxable in
21 that calendar year; and
- 22 2. All gross receipts are subject to tax in subsequent calendar years.

23 (b) The exemption provided in this subsection shall not apply to a person that is
24 also engaged in the business of selling tangible personal property, digital
25 property, or services included in KRS 139.200(2)(a) to (f).

26 ➔Section 17. KRS 224.50-868 is amended to read as follows:

27 (1) As used in this section:

- 1 (a) "Motor vehicle" means every vehicle intended primarily for use and operation
2 on the public highways that is self-propelled, including a low-speed motor
3 vehicle as defined in KRS 186.010;
- 4 (b) "Semitrailer" means any vehicle:
- 5 1. Designed:
- 6 a. As temporary living quarters for recreation, camping, or travel; or
7 b. For carrying persons or property;
- 8 2. Designed for being drawn by a motor vehicle; and
- 9 3. Constructed that:
- 10 a. Some part of its weight; or
11 b. Some part of its load;
12 rests upon or is carried by another vehicle; and
- 13 (c) "Trailer" means any vehicle:
- 14 1. Designed:
- 15 a. As temporary living quarters for recreation, camping, or travel; or
16 b. For carrying persons or property;
- 17 2. Designed for being drawn by a motor vehicle; and
- 18 3. Constructed that:
- 19 a. No part of its weight; and
20 b. No part of its load;
21 rests upon or is carried by another vehicle.
- 22 (2) (a) 1. Prior to July 1, 2018, a person purchasing a new motor vehicle tire in
23 Kentucky shall pay to the retailer a one dollar (\$1) fee at the time of the
24 purchase of that tire. The fee shall not be subject to the Kentucky sales
25 tax.
- 26 2. Beginning July 1, 2018, but prior to July 1, 2020, a fee is hereby
27 imposed upon a retailer at the rate of two dollars (\$2) for each new

1 motor vehicle tire sold in Kentucky. The fee shall be subject to the
2 Kentucky sales tax.

3 3. Beginning July 1, 2020, but prior to July 1, ~~2034~~[2026], a fee is hereby
4 imposed upon a retailer at the rate of two dollars (\$2) for each new
5 motor vehicle, trailer, or semitrailer tire sold in Kentucky. The fee shall
6 be subject to the Kentucky sales tax.

7 4. A retailer may pass the fee imposed by this paragraph on to the
8 purchaser of the new tire.

9 (b) 1. A new tire is a tire that has never been placed on a motor vehicle, trailer,
10 or semitrailer wheel rim.

11 2. A new tire is not a tire placed on a motor vehicle, trailer, or semitrailer
12 prior to its original retail sale or a recapped tire.

13 (3) When a retailer sells a new motor vehicle tire in Kentucky to replace another tire,
14 the tire that is replaced becomes a waste tire subject to the waste tire program. The
15 retailer shall encourage the purchaser of the new tire to leave the waste tire with the
16 retailer or meet the following requirements:

17 (a) Dispose of the waste tire in accordance with KRS 224.50-856(1);

18 (b) Deliver the waste tire to a person registered in accordance with the waste tire
19 program; or

20 (c) Reuse the waste tire for its original intended purpose or an agricultural
21 purpose.

22 (4) (a) A retailer shall report to the Department of Revenue on or before the
23 twentieth day of each month the number of new motor vehicle tires sold
24 during the preceding month and the number of waste tires received from
25 customers that month.

26 (b) The report shall be filed on forms and contain information as the Department
27 of Revenue may require.

1 (c) The retailer shall be allowed to retain an amount equal to five percent (5%) of
2 the fees due, provided the amount due is not delinquent at the time of
3 payment.

4 (5) A retailer shall:

5 (a) Accept from the purchaser of a new tire, if offered, for each new motor
6 vehicle tire sold, a waste tire of similar size and type; and

7 (b) Post notice at the place where retail sales are made that state law requires:

8 1. The retailer to accept, if offered, a waste tire for each new motor vehicle
9 tire sold and that a person purchasing a new motor vehicle tire to replace
10 another tire shall comply with subsection (3) of this section; and

11 2. The two dollar (\$2) new tire fee is used by the state to oversee the
12 management of waste tires, including cleaning up abandoned waste tire
13 piles and preventing illegal dumping of waste tires.

14 (6) A retailer shall comply with the requirements of the recordkeeping system for waste
15 tires established by KRS 224.50-874.

16 (7) A retailer shall transfer waste tires only to a person who presents a letter from the
17 cabinet approving the registration issued under KRS 224.50-858 or a copy of a solid
18 waste disposal facility permit issued by the cabinet, unless the retailer is delivering
19 the waste tires to a destination outside Kentucky and the waste tires will remain in
20 the retailer's possession until they reach that destination.

21 (8) The cabinet shall, in conjunction with the Waste Tire Working Group, develop the
22 informational fact sheet to be made publicly available on the cabinet's website and
23 available in print upon request. The fact sheet shall identify ways to properly
24 dispose of the waste tire and present information on the problems caused by
25 improper waste tire disposal.

26 ➔Section 18. KRS 224.50-872 is amended to read as follows:

27 (1) The cabinet shall report to the General Assembly no later than January 15 each year

1 on the effectiveness of the waste tire program in developing markets for waste tires,
2 the amount of revenue generated and the effectiveness of the fee established in KRS
3 224.50-868 in funding the cabinet's implementation of the waste tire program, to
4 include any waste tire amnesty program established by the cabinet as provided for
5 in KRS 224.50-880(1)(b), whether the fee should be extended, comparative data on
6 the number of waste tires generated each year, the number disposed of, the number
7 of orphan tire piles, and the cost of tire disposal by counties in the Commonwealth.

8 **(2) The cabinet shall gather the following information related to the waste tire trust**
9 **fund in KRS 224.50-880 and submit an annual report to the Legislative Research**
10 **Commission for referral to the Interim Joint Committee on Appropriations and**
11 **Revenue by November 1, 2026, and by each November 1 thereafter as long as the**
12 **new tire fee established in Section 17 of this Act is collected:**

13 **(a) Total receipts deposited into the fund from the new tire fee during the**
14 **preceding fiscal year;**

15 **(b) A detailed accounting of the activities supported by fund moneys, including**
16 **the amount spent on each activity;**

17 **(c) A detailed accounting of all administrative expenses;**

18 **(d) Identification of any unexpended funds and the reason why the funds were**
19 **not expended;**

20 **(e) An explanation of how all expenditures align with program objectives;**

21 **(f) A list of recipients receiving money from the fund with a detailed**
22 **accounting of the amount of money received by each recipient and the use**
23 **of the moneys; and**

24 **(g) A compilation of the information required to be reported to the cabinet**
25 **under KRS 224.50-878(4).**

26 ➔Section 19. KRS 45.760 is amended to read as follows:

27 The provisions of any other law notwithstanding:

- 1 (1) During any biennium the amount allotted, from all sources, for expenditure on any
2 project in the State Capital Construction Program for that biennium shall not exceed
3 the estimated cost of the project during that biennium, as shown in any branch
4 budget bill enacted by the General Assembly, except as provided in this section and
5 KRS 45.770 and 45.780;~~[-]~~
- 6 (2) When the General Assembly disapproves a capital project or item of equipment that
7 was previously approved, it shall be eliminated as a capital project or major item of
8 equipment in the Capital Projects Program. General fund moneys appropriated for
9 that project or item of equipment but not allotted, and general fund moneys allotted
10 but not expended to the project or equipment account, shall be transferred to the
11 capital construction and equipment purchase contingency account in the capital
12 construction fund. Agency or federal funds for a disapproved project or item, that
13 have been appropriated but unallotted or allotted but unexpended, shall be returned
14 to the appropriate agency fund. Road fund moneys for a disapproved project or item
15 that have been appropriated but unallotted or allotted but unexpended, shall be
16 returned to the Road Fund Surplus Account;~~[-]~~
- 17 (3) Capital projects and major items of equipment disapproved under subsection (2) of
18 this section shall be terminated;~~[-]~~
- 19 (4) During any biennium, the amount allotted from all sources for expenditure for the
20 purchase of any major item of equipment shall not exceed the estimated cost of the
21 item as shown in any branch budget bill enacted by the General Assembly and
22 authorizing the purchase, except as provided in subsections (5) and (6) of this
23 section and in KRS 45.770 and 45.780;~~[-]~~
- 24 (5) A major item of equipment to be used for medical, scientific, or research purposes,
25 excluding computer equipment and aircraft, may be authorized even though it is not
26 specifically listed in any branch budget bill enacted for the current biennium,
27 subject to the following conditions and procedures:

- 1 (a) Moneys specifically budgeted and appropriated by the General Assembly for
2 another purpose shall not be reallocated for expenditure on the item; moneys
3 utilized shall not jeopardize any existing program and shall not require the use
4 of any current general funds specifically dedicated to existing programs;
- 5 (b) Funds are available for the purchase and the method of financing the purchase
6 will not require an additional appropriation of state funds to acquire the item;
7 and
- 8 (c) The purchasing agency shall, within thirty (30) days after making the
9 purchase, report the purchase to the Capital Projects and Bond Oversight
10 Committee. The report shall include a description of the item, the purpose for
11 which it will be used, the necessity for the purchase, and the amount expended
12 for the purchase from each source of funds used; ~~[-]~~
- 13 (6) Moneys from any source may be transferred to the allotment account of any capital
14 project authorized by the General Assembly under this section, subject to the
15 following conditions and procedures:
- 16 (a) The total amount transferred shall not exceed five percent (5%) ~~fifteen~~
17 ~~percent (15%)~~ of the amount authorized by the General Assembly unless:
- 18 1. The source of funds is private or federal; or
19 2. An unforeseen decision by a federal or state court or regulatory agency
20 requires the transfer; ~~[-]~~
- 21 (b) Moneys specifically budgeted and appropriated by the General Assembly for
22 another purpose shall not be allotted or reallocated for expenditure on the
23 capital project; ~~[-]~~
- 24 (c) Moneys utilized shall not jeopardize any existing program and shall not
25 require the use of any current general funds specifically dedicated to existing
26 programs; ~~[-]~~
- 27 (d) The relevant entity head, or his or her designee, shall submit the capital

1 project to the Capital Projects and Bond Oversight Committee at least
2 fourteen (14) days prior to the committee meeting. The submission shall
3 include a written certification to the committee that the transfer, in excess of
4 five percent (5%)~~fifteen percent (15%)~~ of the amount authorized by the
5 General Assembly, is:

- 6 1. Paid for out of private or federal funds; or
- 7 2. Required by an unforeseen decision by a federal or state court or
8 regulatory agency; and
- 9 3. Not allotted or reallocated from moneys specifically budgeted and
10 appropriated by the General Assembly for another purpose; and
- 11 4. Not jeopardizing any existing program and not requiring the use of any
12 current general funds specifically dedicated to existing programs; and~~;~~

13 (e) If a capital project is financed with road funds, the cost overruns or scope
14 increases shall be paid out of the highway contingency account established
15 pursuant to KRS 45.247;~~;~~

16 (7) A capital construction project or a major item of equipment may be authorized even
17 though it is not specifically listed in any branch budget bill, subject to the following
18 conditions and procedures:

19 (a) Fifty percent (50%) or more of the actual cost shall be funded by federal or
20 private funds, and fifty percent (50%) or less of the actual cost shall be funded
21 by moneys appropriated to the capital construction and equipment purchase
22 contingency account or, if the purpose of the project or equipment is to reduce
23 energy costs, the relevant entity head certifies projected energy cost savings
24 associated with the project or equipment are reasonable and sufficient to
25 produce an aggregate simple payback period, as defined by KRS 56.770, of
26 five (5) years or less;

27 (b) Moneys specifically budgeted and appropriated by the General Assembly for

- 1 another purpose shall not be allotted or reallocated for expenditure on the
2 project or major item of equipment; moneys utilized shall not jeopardize any
3 existing program and shall not require the use of any current general funds
4 specifically dedicated to existing programs; and
- 5 (c) The relevant entity head, or his *or her* designee, shall submit the project or
6 major item of equipment to the committee for review as provided by KRS
7 45.800;~~[-]~~
- 8 (8) The capital construction and equipment purchase contingency fund may be used to
9 advance funds to projects authorized to be financed by bonds, to finance feasibility
10 studies for projects which may be contemplated for future funding, or to audit the
11 capital projects program when authorized by the General Assembly;~~[-]~~
- 12 (9) On or before October 1, each branch of government shall submit to the committee
13 the following information:
- 14 (a) A complete list and summary description of every capital construction project
15 and major item of equipment not completed as of June 30 of the prior fiscal
16 year;~~[-and]~~
- 17 (b) For each project and major item of equipment, as of July 1, of the current
18 fiscal year:
- 19 1. The project phase;
 - 20 2. The project account number, project name, and any other term employed
21 to identify the project or major item of equipment;
 - 22 3. The available balance in the project or major item of equipment account,
23 and any sums considered available for that project or major item of
24 equipment;
 - 25 4. A statement of the transfers of funds to or from the project or major item
26 of equipment account; and, any account to which transfers from each
27 project or major item of equipment has been made;

- 1 5. The year in which the project or major item of equipment was approved,
2 with specific reference to the legislation by which the project or item
3 was approved;
- 4 6. Total expenditure on the project or major item of equipment;
- 5 7. The current estimated completion cost, including the amount required
6 for annual inflation; and
- 7 8. A statement that additional funds for the completion of the project or
8 major item of equipment are or are not required; and, if required, why
9 sufficient funds for completion are not available; and
- 10 (c) The balance in the appropriated, but unallotted account; and the balance in
11 any account, however designated, that contains appropriated, but unallotted
12 funds for capital construction; ~~and~~]
- 13 (10) When the General Assembly authorizes a capital construction item in the capital
14 construction section of a branch budget bill, the entity head charged with executing
15 the branch budget shall construct the capital construction item according to the
16 requirements set forth in the branch budget bill, supporting documentation
17 considered by the General Assembly, and branch budget records. The entity head
18 shall not deviate from these requirements with regard to:
- 19 (a) Purpose or location to the extent that the capital construction item no longer
20 meets the identified needs; or
- 21 (b) Configuration for reasons other than practical accommodation to the
22 construction site or specific program to be accommodated within that capital
23 construction item.
- 24 ➔Section 20. KRS 45.770 is amended to read as follows:
- 25 (1) There is created within the capital construction fund the capital construction and
26 equipment purchase contingency account. The account shall consist of moneys
27 appropriated to the account by the General Assembly.

- 1 (2) Money in the capital construction and equipment purchase contingency account
2 may be transferred to the allotment account of a capital construction project,
3 authorized by the General Assembly under KRS 45.760, subject to the following
4 conditions and procedures:
- 5 (a) Except as provided in paragraphs (b) and (c) of this subsection, during any
6 biennium, the amount that may be transferred from the capital construction
7 and equipment purchase contingency account to the allotment account of an
8 authorized project shall not exceed an amount equal to five percent
9 (5%)~~fifteen percent (15%)~~ of the estimated cost of the project, for that
10 biennium, approved by the General Assembly in the manner provided by KRS
11 45.760;~~;~~
- 12 (b) Subject to paragraph (c) of this subsection, if the cost of an authorized project
13 exceeds, by more than five percent (5%)~~fifteen percent (15%)~~, its estimated
14 cost, as approved by the General Assembly, due to an unforeseen decision by
15 a federal or state court or regulatory agency, moneys in excess of five percent
16 (5%)~~fifteen percent (15%)~~ of the estimated cost of the project may be
17 transferred from the capital construction and equipment purchase contingency
18 account to the allotment account of the project; and~~;~~
- 19 (c) The Finance and Administration Cabinet shall, prior to making any transfer
20 under this subsection, present the proposed transfer to the Capital Projects and
21 Bond Oversight Committee, at least fourteen (14) days prior to the committee
22 meeting, for review as provided by KRS 45.800. Presentation of a proposed
23 transfer under paragraph (b) of this subsection shall include written
24 certification to the committee from the commissioner of the Department for
25 Facilities and Support Services, Finance and Administration Cabinet, that the
26 transfer is necessitated by cost increases resulting from an unforeseen decision
27 by a federal or state court or regulatory agency.

- 1 (3) Money in the capital construction and equipment purchase contingency account
2 may be transferred to the allotment account of a major item of equipment,
3 authorized by the General Assembly under KRS 45.760, for expenditure on that
4 item subject to the following conditions and procedures:
- 5 (a) Except as provided in paragraphs (b) and (c) of this subsection, during any
6 biennium, the amount that may be transferred from the capital construction
7 and equipment purchase contingency account to the allotment account of an
8 authorized major item of equipment shall not exceed an amount equal to five
9 percent (5%)~~fifteen percent (15%)~~ of the estimated cost of the item, for that
10 biennium, approved by the General Assembly in the manner provided by KRS
11 45.760;~~;~~
- 12 (b) If the cost of an authorized major item of equipment exceeds, by more than
13 five percent (5%)~~fifteen percent (15%)~~, its estimated cost, as approved by
14 the General Assembly, due to an unforeseen decision by a federal or state
15 court or regulatory agency, moneys in excess of five percent (5%)~~fifteen~~
16 ~~percent (15%)~~ of the estimated cost may be transferred from the capital
17 construction and equipment purchase contingency account to the allotment
18 account of the item; and~~;~~
- 19 (c) The Finance and Administration Cabinet shall, prior to making any transfer
20 under this subsection, present the proposed transfer to the Capital Projects and
21 Bond Oversight Committee, at least fourteen (14) days prior to the committee
22 meeting, for review as provided by KRS 45.800. Presentation of a proposed
23 transfer under paragraph (b) of this subsection shall include written
24 certification to the committee from the secretary of the Finance and
25 Administration Cabinet that the transfer is necessitated by cost increases
26 resulting from an unforeseen decision by a federal or state court or regulatory
27 agency.

- 1 (4) Money in the capital construction and equipment purchase contingency account
2 may be transferred to a capital project account to be used for nonrecurring moving
3 expenses of state agencies to address issues of public health and safety or
4 governmental efficiency, subject to the following conditions and procedures:
- 5 (a) The Finance and Administration Cabinet shall, prior to making any transfer
6 under this subsection, present the proposed transfer to the Capital Projects and
7 Bond Oversight Committee, at least fourteen (14) days prior to the committee
8 meeting, for review as provided by KRS 45.800;~~[-]~~
- 9 (b) Presentation of a proposed transfer shall include written certification to the
10 committee from the secretary of the Finance and Administration Cabinet that
11 the moving costs are nonrecurring, and describing the specific benefits,
12 including but not limited to fiscal and efficiency savings associated with the
13 proposal; and~~[-]~~
- 14 (c) No transfer shall be used for capital improvements.
- 15 (5) No later than thirty (30) days after a project has been accepted by the
16 Commonwealth of Kentucky and the contracts encumbered against that project
17 have been closed, moneys constituting the available balance in the project or
18 equipment account shall be transferred as follows:
- 19 (a) If the project was a line item in the budget and not funded with road funds,
20 then the balance shall be transferred to the capital construction surplus
21 account;~~[-]~~
- 22 (b) If the project was a line item in the budget and funded with road funds, then
23 the balance shall be transferred to the road fund surplus account;~~[-]~~
- 24 (c) If the project was completed within the biennium in which it was authorized,
25 and if the project was funded from a major maintenance pool, then the balance
26 shall be transferred to that major maintenance pool; or~~[-]~~
- 27 (d) If the project was not completed within the biennium in which it was

1 authorized, without being expressly reauthorized by a succeeding session of
 2 the General Assembly, then the balance shall be transferred to the capital
 3 construction surplus account.

4 →Section 21. KRS 45.345 is amended to read as follows:

5 (1) (a) In addition to any payment method authorized by law, and notwithstanding
 6 any statute to the contrary, any state agency may accept the following
 7 methods of payment to secure funds for deposit into the State Treasury:

8 ~~1. (a)~~ Credit card;

9 ~~2. (b)~~ Debit card;

10 ~~3. (c)~~ Electronic check;

11 ~~4. (d)~~ Automated clearinghouse (ACH) debit; or

12 ~~5. (e)~~ Any other electronic payment method upon the prior written
 13 approval of both the Finance and Administration Cabinet and the Office
 14 of the State Treasurer.

15 ~~(b) (2)~~ Any fees charged to a state agency by the provider of the payment
 16 services listed in paragraph (a) of this subsection ~~[(1) of this section]~~ shall be
 17 deemed to represent collection expenses and may be considered normal
 18 operating expenses of the agency, or the agency may collect convenience fees
 19 from users to supplement agency costs of delivering services.

20 (2) (a) In satisfaction of debts owed to the Commonwealth:

21 1. Rounding cash transactions to the nearest five cent (\$0.05) increment
 22 shall occur:

23 a. When pennies are not available to complete resolution of a
 24 transaction; and

25 b. On settlement of the final bill of sale, invoice, or fee after all
 26 individual items, duties, fees, taxes, and charges are calculated to
 27 the exact cent; and

1 2. Noncash transactions shall continue to be settled to the cent without
 2 rounding.

3 (b) As used in this subsection, "the nearest five cent (\$0.05) increment" means:

4 1. Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded
 5 down to the nearest ten (\$0.10) cents;

6 2. Amounts ending in three cents (\$0.03) and four cents (\$0.04) are
 7 rounded up to the nearest five (\$0.05) cents;

8 3. Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are
 9 rounded down to the nearest five (\$0.05) cents;

10 4. Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are
 11 rounded up to the nearest ten (\$0.10) cents; and

12 5. Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain
 13 unchanged.

14 (c) Notwithstanding any other statute to the contrary, any person selling goods
 15 or services shall not be in violation of any requirements, laws,
 16 administrative regulations, or standards of this state or political subdivision
 17 of this state based on any action taken in compliance of this section.

18 ➔SECTION 22. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO
 19 READ AS FOLLOWS:

20 (1) In satisfaction of debts owed to cities, counties, and local government entities:

21 (a) Rounding cash transactions to the nearest five cent (\$0.05) increment shall
 22 occur:

23 1. When pennies are not available to complete resolution of a
 24 transaction; and

25 2. On settlement of the final bill of sale, invoice, or fee after all
 26 individual items, duties, fees, taxes, and charges are calculated to the
 27 exact cent; and

1 **(b) Noncash transactions shall continue to be settled to the cent without**
2 **rounding.**

3 **(2) As used in this section, "the nearest five cent (\$0.05) increment" means:**

4 **(a) Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded**
5 **down to the nearest ten (\$0.10) cents;**

6 **(b) Amounts ending in three cents (\$0.03) and four cents (\$0.04) are rounded**
7 **up to the nearest five (\$0.05) cents;**

8 **(c) Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are rounded**
9 **down to the nearest five (\$0.05) cents;**

10 **(d) Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are rounded**
11 **up to the nearest ten (\$0.10) cents; and**

12 **(e) Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain**
13 **unchanged.**

14 **(3) Notwithstanding any other statute to the contrary, any person selling goods or**
15 **services shall not be in violation of any requirements, laws, administrative**
16 **regulations, or standards of this state or political subdivision of this state based**
17 **on any action taken in compliance of this section.**

18 ➔Section 23. KRS 139.210 is amended to read as follows:

19 (1) Except as provided in subsections (2) and (3) of this section, the tax shall be
20 required to be collected by the retailer from the purchaser. The tax shall be
21 displayed separately from the sales price, the price advertised in the premises, the
22 marked price, or other price on the sales receipt or other proof of sales.

23 (2) The department may relieve certain retailers from the requirement in subsection (1)
24 of this section of separate display of the tax when the circumstances of the retailer
25 make compliance impracticable. If the retailer establishes to the satisfaction of the
26 department that the sales tax has been added to the total amount of the sales price
27 and has not been absorbed by the retailer, the amount of the sales price shall be the

1 amount received exclusive of the tax imposed.

2 (3) Retailers that provide road and travel services that are taxable under KRS 139.200
3 shall not be required to state the tax separately from the sales price if the retailer can
4 establish and provide evidence that the sales tax has been added to the total amount
5 of the sales price charged to the purchaser and has not been absorbed by the retailer.
6 The amount of the sales price shall be the amount received exclusive of the tax
7 imposed.

8 (4) The taxes collected under this section shall be deemed to be held in trust by the
9 retailer for and on account of the Commonwealth.

10 (5) The taxes to be collected under this section shall constitute a debt of the retailer to
11 the Commonwealth.

12 **(6) Regardless of a purchaser's method of payment, a retailer shall not be relieved of**
13 **the retailer's responsibility to collect and remit the correct amount of tax due.**

14 ➔SECTION 24. A NEW SECTION OF KRS CHAPTER 160 IS CREATED TO
15 READ AS FOLLOWS:

16 **(1) In satisfaction of debts owed to a school district:**

17 **(a) Rounding cash transactions to the nearest five cent (\$0.05) increment shall**
18 **occur:**

19 **1. When pennies are not available to complete resolution of a**
20 **transaction; and**

21 **2. On settlement of the final bill of sale, invoice, or fee after all**
22 **individual items, duties, fees, taxes, and charges are calculated to the**
23 **exact cent; and**

24 **(b) Noncash transactions shall continue to be settled to the cent without**
25 **rounding.**

26 **(2) As used in this section, "the nearest five cent (\$0.05) increment" means:**

27 **(a) Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded**

- 1 down to the nearest ten (\$0.10) cents;
 2 (b) Amounts ending in three cents (\$0.03) and four cents (\$0.04) are rounded
 3 up to the nearest five (\$0.05) cents;
 4 (c) Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are rounded
 5 down to the nearest five (\$0.05) cents;
 6 (d) Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are rounded
 7 up to the nearest ten (\$0.10) cents; and
 8 (e) Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain
 9 unchanged.

10 (3) Notwithstanding any other statute to the contrary, any person selling goods or
 11 services shall not be in violation of any requirements, laws, administrative
 12 regulations, or standards of this state or political subdivision of this state based
 13 on any action taken in compliance of this section.

14 ➔SECTION 25. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO
 15 READ AS FOLLOWS:

16 (1) In satisfaction of debts owed in buying or selling goods or services:

17 (a) Rounding cash transactions to the nearest five cent (\$0.05) increment may
 18 occur:

19 1. When pennies are not available to complete resolution of a
 20 transaction; and

21 2. On settlement of the final bill of sale, invoice, or fee after all
 22 individual items, duties, fees, taxes, and charges are calculated to the
 23 exact cent; and

24 (b) Noncash transactions shall continue to be settled to the cent without
 25 rounding.

26 (2) As used in this section, "the nearest five cent (\$0.05) increment" means:

27 (a) Amounts ending in one cent (\$0.01) and two cents (\$0.02) are rounded

- 1 down to the nearest ten (\$0.10) cents;
 2 (b) Amounts ending in three cents (\$0.03) and four cents (\$0.04) are rounded
 3 up to the nearest five (\$0.05) cents;
 4 (c) Amounts ending in six cents (\$0.06) and seven cents (\$0.07) are rounded
 5 down to the nearest five (\$0.05) cents;
 6 (d) Amounts ending in eight cents (\$0.08) and nine cents (\$0.09) are rounded
 7 up to the nearest ten (\$0.10) cents; and
 8 (e) Amounts ending in zero (\$0.00) cents and five (\$0.05) cents remain
 9 unchanged.

10 (3) Notwithstanding any other statute to the contrary, any person selling goods or
 11 services shall not be in violation of any requirements, laws, administrative
 12 regulations, or standards of this state or political subdivision of this state based
 13 on any action taken in compliance of this section.

14 ➔SECTION 26. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO
 15 READ AS FOLLOWS:

16 As used in Sections 26 to 29 of this Act:

17 (1) "Board" means the board of trustees of a district established under Section 28 of
 18 this Act;

19 (2) "District" means a regional industrial taxing district established by an interlocal
 20 agreement as permitted under Section 27 of this Act;

21 (3) "Local government" means a city, county, urban-county government, charter
 22 county government, consolidated local government, or unified local government
 23 located within the Commonwealth; and

24 (4) "Multicounty region" means multiple counties, multiple cities not located in the
 25 same county, or a combination of counties and cities with at least two (2) local
 26 governments from different counties.

27 ➔Section 27. KRS 65.302 is amended to read as follows:

- 1 (1) ~~{As used in this section:~~
- 2 (a) ~~"Board" means the board of trustees of a district;~~
- 3 (b) ~~"District" means a taxing district established under subsection (2)(b) of this~~
- 4 ~~section;~~
- 5 (c) ~~"Local government" means a city, county, urban county government, charter~~
- 6 ~~county government, consolidated local government, or unified local~~
- 7 ~~government located within the Commonwealth; and~~
- 8 (d) ~~"Multicounty region" means multiple counties, multiple cities not located in~~
- 9 ~~the same county, or a combination of counties and cities with at least two (2)~~
- 10 ~~local governments from different counties.~~
- 11 ~~(2)~~ (a) 1. **After providing notice in accordance with Section 29 of this Act,** two
- 12 (2) or more governing bodies of local governments constituting a
- 13 multicounty region may join together by entering into an interlocal
- 14 agreement under KRS 65.210 to 65.300 to develop real estate as part of
- 15 a regional economic development project. The interlocal agreement
- 16 shall specify the investment dollars contributed to the regional economic
- 17 development project by each local government, the use of those
- 18 investment dollars for the project, and the provision of services provided
- 19 by each local government.
- 20 2. The regional economic development project shall:
- 21 a. Consist of three hundred (300) or more contiguous acres located in
- 22 the jurisdiction of a local government that is a party to the
- 23 interlocal agreement; and
- 24 b. Result in the creation of at least five hundred (500) new jobs.
- 25 (b) 1. The territory that will be used in a regional economic development
- 26 project may be organized into a taxing district for the purpose of levying
- 27 taxes, **with the priority in the following order,** to:

1 a. ~~Provide for the establishment, operation, and maintenance of~~
2 ~~governmental services for the district; and~~

3 ~~b. Pay *the* debt service on bonds issued to finance the cost of~~
4 ~~building infrastructure in the district;.~~

5 **b. Repay the Commonwealth for any investment made by the**
6 **Commonwealth for infrastructure within the district; and**

7 **c. Provide for the establishment, operation, and maintenance of**
8 **governmental services for the district.**

9 **2.** A taxing district created under this paragraph shall comply with KRS
10 65.182 to 65.190, including the petition requirements, but not the
11 percentage of registered voter signature requirements under KRS
12 65.182(1)(a).

13 ~~2. The territory located within the district shall not be subject to annexation without~~
14 ~~the consent of the governing bodies of all of the local governments that are a~~
15 ~~party to the interlocal agreement.~~

16 ~~(2)(3)~~ (a) Once created, the district shall constitute a taxing district within the
17 meaning of Section 157 of the Constitution of Kentucky and is authorized to
18 levy a special ad valorem tax on property located within the jurisdictional
19 boundaries of the district.

20 (b) The special ad valorem tax rate shall not exceed ten cents (\$0.10) per one
21 hundred dollars (\$100) of the assessed value of the property.

22 (c) The special ad valorem tax shall be:
23 1. In addition to all other ad valorem taxes; and
24 2. Administered and collected in the same manner as the county ad
25 valorem taxes, except the revenues shall be turned over to the board.

26 ~~(3)(4)~~ (a) In addition to the special ad valorem tax levied under subsection ~~(2)(3)~~
27 of this section, the governing body of a local government in which the district

1 is located may, with agreement of the governing bodies of all of the local
2 governments that are a party to the interlocal agreement, impose and collect
3 an occupational license fee on businesses, trades, professions, or occupations
4 performed, rendered, or conducted within the district, at a percentage rate not
5 to exceed three percent (3%) of:

- 6 1. Salaries, wages, commissions, and other compensation earned by
7 persons within the district for work done and services performed,
8 rendered, or conducted within the district;
- 9 2. The net profits of self-employed individuals, partnerships, professional
10 associations, or joint ventures resulting from businesses, trades,
11 professions, occupations, or activities conducted in the district; and
- 12 3. The net profits of corporations resulting from businesses, trades,
13 professions, occupations, or activities conducted in the district.

14 (b) Once an occupational license fee is imposed under this subsection, the rate of
15 the occupational license fee shall never increase.

16 (c) Except for an occupational license fee imposed **by:**

17 **1. A local board of education; or**

18 **2. A city that has not joined the district pursuant to Section 29 of this**

19 **Act;**~~under KRS Chapter 160,~~

20 an occupational license fee imposed under this subsection shall be the only
21 occupational license fee imposed on businesses, trades, professions, or
22 occupations performed, rendered, or conducted within the district.

23 (d) The occupational license fee shall not apply to businesses, trades, professions,
24 or occupations exempt under KRS 68.180, 68.197, or 91.200.

25 (e) Each local government that is a party to the interlocal agreement shall receive
26 a portion of the revenues collected from the occupational license fee as
27 specified by the agreement. The revenues may be deposited into the general

1 fund of the local government to be used in accordance with the purposes set
2 out in subsection ~~(1)~~~~(2)~~(b) of this section.

3 (f) An occupational license fee imposed under this subsection shall expire *the*
4 *earlier of the date the bonds issued to finance infrastructure projects for the*
5 *district are retired or* twenty (20) years after the *imposition of the occupation*
6 *license fee*~~[year of imposition].~~ After the occupational license fee has expired,
7 an additional occupational license fee shall not be imposed under this
8 subsection.

9 *(g) Notwithstanding any other statute to the contrary, wage assessments shall*
10 *not be imposed upon salaries, wages, commissions, and other compensation*
11 *earned by persons within the district for work done and services performed,*
12 *rendered, or conducted within the district.*~~‡~~

13 ~~(5) (a) A board shall be established to control and manage the affairs of the district.~~

14 ~~(b) The board shall:~~

15 ~~1. Represent a multicounty region;~~

16 ~~2. Comply with the provisions of KRS Chapter 65A;~~

17 ~~3. Agree, in writing, to the use or distribution of the revenue generated from a special~~
18 ~~ad valorem tax levied under subsection (3) of this section;~~

19 ~~4. Agree, in writing, to the collection and distribution of the revenue generated from~~
20 ~~an occupational license fee imposed under subsection (4) of this section;~~

21 ~~5. Operate in accordance with the following:~~

22 ~~a. The board membership shall consist of at least one (1) trustee from each local~~
23 ~~government that is a party to the interlocal agreement;~~

24 ~~b. The trustees shall serve staggered terms of four (4) years;~~

25 ~~c. The chair of the board shall be elected by the trustees from among its membership;~~

26 ~~d. The board may appoint a secretary, an executive director, and other officials and~~
27 ~~employees who need not be members of the board;~~

- 1 e.—A quorum for the transacting of the business of the board shall consist of a majority
2 of its membership;
- 3 f.—A trustee of the board may be removed as provided by KRS 65.007; and
- 4 g.—Vacancies of the board shall be filled in the same manner as the original
5 appointments; and
- 6 6.—Provide an annual report by August 1 of each year to the Department for Local
7 Government containing:
- 8 a.—A description of the regional economic development project, including the location,
9 specific boundaries, and the total number of acres;
- 10 b.—A description of each business located in the district;
- 11 c.—The total number of jobs created by the regional economic development project;
- 12 d.—The total number of people employed within the boundaries of the district;
- 13 e.—The name of each local government that is a party to the interlocal agreement;
- 14 f.—The total amount of money contributed by each local government for the regional
15 economic development project and a description of how the money was used;
- 16 g.—The rate of a special ad valorem tax levied under this section, the total revenues
17 collected from the tax for each year, and a breakdown of how the revenues were
18 used; and
- 19 h.—The rate of an occupational license fee imposed under this section, the total
20 revenues collected from the fee for each year, and a breakdown of how the revenues
21 were used.
- 22 ~~(6) No later than October 1 of each year, the Department for Local Government shall~~
23 ~~compile the information reported under subsection (5)(b)6. of this section and~~
24 ~~report the compiled information to the Interim Joint Committee on Appropriations~~
25 ~~and Revenue.]~~

26 ➔SECTION 28. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO
27 READ AS FOLLOWS:

1 (1) A board shall be established to control and manage the affairs of the district. The
2 board shall:

3 (a) Represent a multicounty region;

4 (b) Comply with the provisions of KRS Chapter 65A;

5 (c) Agree, in writing, to the use or distribution of the revenue generated from a
6 special ad valorem tax levied under Section 27 of this Act;

7 (d) Agree, in writing, to the collection and distribution of the revenue generated
8 from an occupational license fee imposed under Section 27 of this Act;

9 (e) Operate in accordance with the following:

10 1. The board membership shall consist of at least one (1) trustee from
11 each local government that is a party to the interlocal agreement;

12 2. The trustees shall serve staggered terms of four (4) years;

13 3. The chair of the board shall be elected by the trustees from among its
14 membership;

15 4. The board may appoint a secretary, an executive director, and other
16 officials and employees who need not be members of the board;

17 5. A quorum for the transacting of the business of the board shall consist
18 of a majority of its membership;

19 6. A trustee of the board may be removed as provided by KRS 65.007;
20 and

21 7. Vacancies of the board shall be filled in the same manner as the
22 original appointments; and

23 (f) Provide an annual report by August 1 of each year to the Department for
24 Local Government containing:

25 1. A description of the regional economic development project, including
26 the location, specific boundaries, and the total number of acres;

27 2. A description of each business located in the district;

- 1 3. The total number of jobs created by the regional economic
 2 development project;
- 3 4. The total number of people employed within the boundaries of the
 4 district;
- 5 5. The name of each local government that is a party to the interlocal
 6 agreement;
- 7 6. The total amount of money contributed by each local government for
 8 the regional economic development project and a description of how
 9 the money was used;
- 10 7. The rate of a special ad valorem tax levied under Section 27 of this
 11 Act, the total revenues collected from the tax for each year, and a
 12 breakdown of how the revenues were used; and
- 13 8. The rate of an occupational license fee imposed under Section 27 of
 14 this Act, the total revenues collected from the fee for each year, and a
 15 breakdown of how the revenues were used.

16 (2) No later than October 1 of each year, the Department for Local Government shall
 17 compile the information received by the board and report it to the Legislative
 18 Research Commission for referral to the Interim Joint Committee on
 19 Appropriations and Revenue.

20 ➔SECTION 29. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO
 21 READ AS FOLLOWS:

22 (1) (a) Before the execution of an interlocal agreement to create a district, all local
 23 governments with territory wholly or partially within the boundaries of the
 24 multicounty region shall be provided written notice of the intent to create
 25 the district by the governing body of the local governments seeking to create
 26 the district.

27 (b) The written notice shall:

- 1 1. Be delivered no less than thirty (30) days prior to the execution of the
 2 agreement to the chief executive officer of each local government with
 3 territory wholly or partially within the boundaries of the multicounty
 4 region, by certified mail or official electronic delivery;
 5 2. Identify the proposed participating entities;
 6 3. Describe the proposed boundaries of the district;
 7 4. Include a summary of the anticipated tax structure; and
 8 5. Specify the infrastructure projects that will be supported by the
 9 revenues generated from the tax structure.
- 10 (2) (a) Notwithstanding any provision of law to the contrary, a city shall not be
 11 required to participate in a district unless the city has adopted an ordinance
 12 or resolution authorizing participation.
- 13 (b) A district shall not include any portion of a city located within its
 14 geographic boundaries that has not consented to participation under
 15 paragraph (a) of this subsection.
- 16 (c) Nothing in Sections 26 to 29 of this Act shall be construed to limit a city's
 17 authority to levy and collect an occupational license tax under KRS 92.200
 18 or 91.280 unless the city has voluntarily joined a district and agreed to the
 19 imposition of an occupational tax by the district under subsection (3) of
 20 Section 27 of this Act.

21 ➔Section 30. KRS 143A.030 is amended to read as follows:

22 The taxes imposed in KRS 143A.020 do not apply to ~~fluorspar,~~ lead, zinc, and barite
 23 severed for any purposes or to rock, limestone, or gravel used for privately maintained
 24 but publicly dedicated roads or limestone when sold or used by the taxpayer for
 25 agricultural purposes so as to qualify for exemption from sales and use taxes as provided
 26 in KRS 139.480.

27 ➔Section 31. KRS 143A.010 is amended to read as follows:

1 As used in this chapter:

2 (1) "Department" means the Department of Revenue;

3 (2) "Natural resource" means all forms of minerals, including but not limited to rock,
4 stone, limestone, shale, gravel, sand, clay, fluorspar, natural gas, and natural gas
5 liquids, which are contained in or on the soils or waters of this state. For purposes
6 of this chapter, "natural resource" does not include coal and oil which are taxed
7 under KRS 143.020 and 137.120;

8 (3) "Severing" or "severed" means the physical removal of the natural resource from
9 the earth or waters of this state by any means; however, "severing" or "severed"
10 shall not include the removal of natural gas from underground storage facilities into
11 which the natural gas has been mechanically injected following its initial removal
12 from the earth;

13 (4) (a) "Taxpayer" means and includes any individual, partnership, joint venture,
14 association, corporation, receiver, trustee, guardian, executor, administrator,
15 fiduciary, or representative of any kind engaged in the business of severing
16 and/or processing natural resources in this state for sale or use. In instances
17 where contracts, either oral or written, are entered into whereby persons,
18 organizations, or businesses are engaged in the business of severing and/or
19 processing a natural resource but do not obtain title to or do not have an
20 economic interest therein, the party who owns the natural resource or has an
21 economic interest is the taxpayer.

22 (b) For purposes of this chapter, a taxpayer possesses an economic interest in a
23 natural resource where the taxpayer has acquired by investment any interest in
24 a natural resource and secures, by any form of legal relationship, income
25 derived from the severance or processing of the natural resource, to which the
26 taxpayer~~he~~ must look for a return of the taxpayer's~~his~~ capital. A party
27 who has no capital investment in the natural resource or who only receives an

1 arm's length royalty shall not be considered as having an economic interest;

2 (5) "Gross value" is defined as follows:

3 (a) For natural resources severed and/or processed and sold during a reporting
4 period, gross value is the amount received or receivable by the taxpayer;

5 (b) For natural resources severed and/or processed, but not sold during a reporting
6 period, gross value shall be determined as follows:

7 1. If the natural resource is to be sold under the terms of an existing
8 contract, the contract price shall be used in computing gross value; and

9 2. If there is no existing contract, the fair market value for that grade and
10 quality of the natural resource shall be used in computing gross value;

11 (c) In a transaction involving related parties, gross value shall not be less than the
12 fair market value for natural resources of similar grade and quality;

13 (d) In the absence of a sale, gross value shall be the fair market value for natural
14 resources of similar grade and quality;

15 (e) If severed natural resources are purchased for the purpose of processing and
16 resale, the gross value is the amount received or receivable during the
17 reporting period reduced by the amount paid or payable to the taxpayer
18 actually severing the natural resource;

19 (f) If severed natural resources are purchased for the purpose of processing and
20 consumption, the gross value is the fair market value of processed natural
21 resources of similar grade and quality reduced by the amount paid or payable
22 to the taxpayer actually severing the natural resource;

23 (g) In all instances, the gross value shall not be reduced by any taxes including
24 the tax levied in KRS 143A.020, royalties, sales commissions, or any other
25 expense; and

26 (h) In all instances, transportation expense incurred in transporting a natural
27 resource shall not be considered as gross income from the property;

1 (6) "Processing" includes but is not limited to breaking, crushing, cleaning, drying,
2 sizing, or loading or unloading for any purpose. "Processing" shall not include the
3 act of unloading or loading for shipment natural resources that have not been
4 severed, cleaned, broken, crushed, dried, sized or otherwise treated in Kentucky;

5 (7) "Related parties" means two (2) or more persons, organizations, or businesses
6 owned or controlled directly or indirectly by the same interests; and

7 (8) (a) "Transportation expense" means:

8 1. The amount paid by a taxpayer to a third party for transporting natural
9 resources; and

10 2. The expenses incurred by a taxpayer using the taxpayer's~~his~~ own
11 facilities in transporting natural resources from the point of extraction to
12 a processing plant, tipple, or loading dock.

13 (b) "Transportation expense" shall not include:

14 1. The cost of acquisition, improvements, and maintenance of real
15 property;

16 2. The cost of acquisition and operating expenses of mining and nonmining
17 loading or unloading facilities; or

18 3. The cost of acquisition and operating expenses of equipment used to
19 load or unload the natural resource at the point of extraction, processing
20 facility, or mining and nonmining loading facility.

21 ➔Section 32. KRS 140.160 is amended to read as follows:

22 (1) The Department of Revenue shall have full supervision of the collection of all taxes
23 due under the provisions of this chapter, including the power to institute suit in this
24 and other states. It may employ attorneys and other persons necessary to carry out
25 the full intent and purpose of this chapter. The department shall furnish, upon
26 application, blank forms covering information as may be necessary to determine the
27 amount of tax due the state on the transfer of all property subject to tax.

- 1 (2) The department may cause personal representatives or beneficiaries to file all
2 statements required by this chapter with the clerks of the proper courts and with the
3 department, and may require them to furnish any additional information deemed
4 necessary to support the computation of the amount of tax that should be paid by
5 the estate. The personal representative, or the beneficiaries in the absence of a
6 personal representative, shall compute the taxes imposed by this chapter on the tax
7 return provided by the department when:
- 8 (a) 1. A United States estate tax return is required to be filed under federal law
9 and applicable regulations; and
10 2. The estate includes property over which Kentucky has jurisdiction for
11 purposes of the taxes imposed by this chapter; or
- 12 (b) Any assets from the estate subject to the taxes imposed by this chapter pass to
13 a beneficiary taxable under KRS 140.070.
- 14 **(3) (a) For deaths prior to July 1, 2026,** the tax return, when required, shall be
15 filed with the department within eighteen (18) months after the death of the
16 decedent or at the time payment of the tax is made pursuant to KRS 140.210.
- 17 **(b) For deaths on or after July 1, 2026, the tax return, when required, shall be**
18 **filed with the department within twenty-four (24) months after the death of**
19 **the decedent or at the time payment of the tax is made pursuant to Section**
20 **33 of this Act.**
- 21 ~~(4)(3)~~ Except as herein provided, no action to enforce the collection of the tax
22 imposed by this chapter shall be commenced more than ten (10) years after the
23 cause of action first accrued. In case the settlement of an estate is delayed because
24 of litigation or other unavoidable cause, the delay shall suspend the limitation,
25 prescribed by this subsection, until the cause of delay is removed. In the case of a
26 fraudulent return or any other fraudulent representation affecting the amount of or
27 the liability for the tax imposed by this chapter notwithstanding any provision of

1 limitation provided elsewhere, the tax due by reason thereof may at any time be
 2 assessed and collected by the methods set out in this chapter, including action in a
 3 court of competent jurisdiction.

4 →Section 33. KRS 140.210 is amended to read as follows:

- 5 (1) **(a) For deaths prior to July 1, 2026,** all taxes imposed by this chapter, unless
 6 otherwise provided in this chapter, shall be due at the death of the decedent
 7 and shall be payable to the Department of Revenue within eighteen (18)
 8 months thereafter. If they are paid within nine (9) months, a discount of five
 9 percent (5%) shall be allowed, and if they are paid within eighteen (18)
 10 months, no interest shall be charged and collected thereon. If the taxes due are
 11 not paid within eighteen (18) months, interest at the tax interest rate as defined
 12 in KRS 131.010~~[(6)]~~ shall be paid from the expiration of the eighteen (18)
 13 months until payment is actually made to the department.

14 **(b) For deaths on or after July 1, 2026, all taxes imposed by this chapter, unless**
 15 **otherwise provided in this chapter, shall be due at the death of the decedent**
 16 **and shall be payable to the Department of Revenue within twenty-four (24)**
 17 **months thereafter. If they are paid within fourteen (14) months, a discount**
 18 **of five percent (5%) shall be allowed, and if they are paid within twenty-four**
 19 **(24) months, no interest shall be charged and collected thereon. If the taxes**
 20 **due are not paid within twenty-four (24) months, interest at the tax interest**
 21 **rate as defined in KRS 131.010 shall be paid from the expiration of the**
 22 **twenty-four (24) months until payment is actually made to the department.**

- 23 (2) In all cases where the personal representatives or trustees do not pay the taxes **by**
 24 **the applicable eighteen (18) month or twenty-four (24) month deadline**
 25 **established in subsection (1) of this section**~~[within eighteen (18) months from the~~
 26 ~~death of the decedent]~~, they shall be required to give bond, in the form and to the
 27 effect prescribed by the department, for the payment of the taxes and interest.

1 ➔Section 34. KRS 140.222 is amended to read as follows:

- 2 (1) When the net tax due from a beneficiary's distributive share exceeds five thousand
3 dollars (\$5,000), the beneficiary may elect to pay the inheritance tax in ten (10)
4 equal installments. The first installment shall be due at the time the return is filed
5 with succeeding payments due in annual installments beginning one (1) year after
6 the return is filed.
- 7 (2) (a) For deaths prior to July 1, 2026, the portion of the tax deferred under this
8 section shall be charged with interest at the tax interest rate as defined in KRS
9 131.010~~[(6)]~~ commencing eighteen (18) months after the date of death.
- 10 (b) For deaths on or after July 1, 2026, the portion of the tax deferred under
11 this section shall be charged with interest at the tax interest rate as defined
12 in KRS 131.010 commencing twenty-four (24) months after the date of
13 death.
- 14 (3) When the beneficiary elects to pay the tax on the beneficiary's~~his~~ share as
15 provided in this section, such election must be made in writing and signed by the
16 beneficiary and must be filed with the Department of Revenue at the time of filing
17 the tax return for the decedent's estate under KRS 140.160~~(3)~~~~[(2)]~~. The filing of the
18 election together with payment of the first installment shall relieve the personal
19 representative or trustee of the estate from further liability for the tax payments
20 deferred under this section and the bond requirements of KRS 140.210, subject to
21 the final approval by the Department of Revenue of all other taxes due under this
22 chapter.
- 23 (4) A beneficiary electing to defer the payment of taxes under this section shall be
24 personally liable for the amount of deferred taxes until paid.
- 25 (5) The period of limitations for actions to enforce the collection of taxes imposed by
26 this chapter as provided by KRS 140.160~~(4)~~~~[(3)]~~ shall be suspended for the period
27 of time for deferred payment granted by this section.

1 ➔Section 35. KRS 134.490 is amended to read as follows:

- 2 (1) (a) Within fifty (50) days after the delivery of a certificate of delinquency by the
3 clerk to a third-party purchaser, the third-party purchaser shall send a notice to
4 the delinquent taxpayer informing the delinquent taxpayer that the certificate
5 of delinquency has been purchased by the third-party purchaser.
- 6 (b) *The third-party purchaser shall send this notice once every six (6)*
7 *months*~~[At least annually thereafter,]~~ until the notice required by subsection
8 (2) of this section is sent~~[, the third party purchaser shall send a notice to the~~
9 ~~delinquent taxpayer].~~
- 10 (c) The notices included in this subsection shall be sent by certified mail with
11 proof of mailing and include the information required by subsection (3)(d) of
12 this section. A copy of each notice shall be sent to each mortgagee who holds
13 a mortgage on the property that is the subject of the certificate of delinquency.
- 14 (2) Anytime after the expiration of the one (1) year tolling period established by KRS
15 134.546, the third-party purchaser may institute an action to collect the amount due
16 on a certificate of delinquency. At least forty-five (45) days before instituting a
17 legal action, the third-party purchaser shall send a notice to the taxpayer and a copy
18 of the notice to each mortgagee who holds a mortgage on the property by certified
19 mail with proof of mailing. The notice shall:
- 20 (a) Inform the taxpayer that enforcement action will be taken;
- 21 (b) Include a statement advising the taxpayer that substantial additional
22 administrative costs and fees associated with collection in addition to the
23 amount due on the certificate of delinquency may be imposed and that
24 collection actions may include foreclosure; and
- 25 (c) Include the information required by subsection (3) of this section.
- 26 The notice shall be in addition to any notice sent under subsection (1) of this
27 section.

- 1 (3) (a) 1. For certificates of delinquency for all property except property described
2 in paragraph (b) of this subsection, third-party purchasers or their
3 designees shall obtain from the office of the property valuation
4 administrator of the county in which the real property is located the
5 most recent address for the property owner.
- 6 2. To obtain information from the office of the property valuation
7 administrator, the third-party purchaser shall, at the option of the
8 property valuation administrator, either:
- 9 a. Obtain information from an up-to-date public access list or
10 website~~[Web site]~~ offered by the property valuation administrator;
11 or
- 12 b. Submit a list of addresses, map identification numbers, or parcel
13 numbers for which updated information is requested to the
14 property valuation administrator, who shall update his or her
15 records with regard to the properties for which information is
16 requested and provide the updated information to the third-party
17 purchaser within ten (10) days.
- 18 3. For this service, the property valuation administrator may charge a fee
19 not to exceed two dollars (\$2) for each address provided or obtained.
- 20 4. Except as provided in paragraph (b) of this subsection, the third-party
21 purchaser shall send the notices required by subsections (1) and (2) of
22 this section to the address provided by the property valuation
23 administrator. Unless the provisions of subparagraph 7. of this
24 paragraph apply, the third-party purchaser shall not be required to send a
25 notice to any party other than the owner of record as provided by the
26 property valuation administrator at the time the notice is sent and the
27 mortgagee as required by subsections (1) and (2) of this section.

- 1 5. If, due to insufficient staffing, the property valuation administrator is
2 unable to provide the requested information to the third-party purchaser
3 within ten (10) days of submission, the property valuation administrator
4 shall immediately notify the third-party purchaser, and the third-party
5 purchaser may send the notices required by subsections (1) and (2) of
6 this section to the address reflected in the public records of the property
7 valuation administrator.
- 8 6. Any notices sent pursuant to information obtained under this paragraph
9 that are returned as undeliverable shall be re-sent by certified mail with
10 proof of mailing addressed to the "Occupant" at the address of the
11 property that is the subject of the certificate of delinquency. These
12 notices shall be sent within twenty (20) days of receipt of the returned
13 notice.
- 14 7. If a third-party purchaser becomes aware of a more recent or more
15 accurate address for a delinquent taxpayer that is different from the
16 address reflected in the records of the property valuation administrator,
17 the third-party purchaser shall send notices to the updated address in the
18 manner required by this subsection, and shall notify the property
19 valuation administrator of the updated address.
- 20 8. If a third-party purchaser receives an address from the property
21 valuation administrator during an address check after a first notice is
22 sent and returned as undeliverable, and the address is the same as was
23 originally provided, the third-party purchaser shall send the notice
24 addressed to "Occupant" at the address of the property that is the subject
25 of the certificate of delinquency in the manner required by this
26 subsection.
- 27 (b) 1. For certificates of delinquency relating to unmined coal, oil or gas

- 1 reserves, or any other mineral or energy resources assessed separately
2 from the surface real property pursuant to KRS 132.820, third-party
3 purchasers or their designees shall obtain from the department the most
4 recent address for the property owner.
- 5 2. To obtain information about a particular property, the third-party
6 purchaser shall submit to the department a list of addresses, map
7 identification numbers, parcel numbers, and any other information the
8 department may require. The department shall:
- 9 a. Update its records with regard to the properties for which
10 information is requested; and
- 11 b. Provide the updated information to the third-party purchaser
12 within ten (10) business days.
- 13 3. For this service, the department may charge a fee not to exceed two
14 dollars (\$2) for each address provided.
- 15 4. The third-party purchaser shall send the notices required by subsections
16 (1) and (2) of this section relating to unmined coal, oil or gas reserves,
17 or any other mineral or energy resources assessed separately from the
18 surface real property pursuant to KRS 132.820 to the address provided
19 by the department. Unless the provisions of subparagraph 5.f. of this
20 paragraph apply, the third-party purchaser shall not be required to send a
21 notice to any party other than the owner of record as provided by the
22 department at the time the notice is sent and the mortgagee as required
23 by subsections (1) and (2) of this section.
- 24 5. a. Any notice sent pursuant to subsections (1) and (2) of this section
25 based on information obtained pursuant to this paragraph and
26 returned as undeliverable shall be submitted to the department
27 within ten (10) days of receipt of the returned notice.

- 1 b. The department shall attempt to obtain an updated address for the
2 owner of the property subject to the certificate of delinquency
3 from the individual or entity filing the property tax return for the
4 property.
- 5 c. The individual or entity filing the property tax return shall provide
6 an address of the property owner upon request of the department.
- 7 d. The department shall provide any updated address information to
8 the third-party purchaser.
- 9 e. If updated information is provided, the notices shall be re-sent by
10 certified mail with proof of mailing to the updated address of the
11 owner within ten (10) days of the receipt of the updated
12 information from the department.
- 13 f. If a third-party purchaser becomes aware of a more recent or more
14 accurate address for a delinquent taxpayer that is different from the
15 address reflected in the records of the department, the third-party
16 purchaser shall send notices to the updated address in the manner
17 required by this subsection, and shall notify the department of the
18 updated address.
- 19 (c) The third-party purchaser shall maintain complete and accurate records of all
20 notices sent pursuant to this section.
- 21 (d) The notices required by this section shall include the following information:
- 22 1. A statement that the certificate of delinquency is a lien of record against
23 the property for which delinquent taxes are owed;
- 24 2. A statement that the certificate bears interest at the rate provided in KRS
25 134.125;
- 26 3. A statement that if the certificate is not paid, it will be subject to
27 collection as provided by law, and that collection actions may include

1 foreclosure. The notice required by subsection (2) of this section shall
2 also include a statement of the intent to institute legal action to collect
3 the amount due;

4 4. A complete listing of the amount due, as of the date of the notice,
5 broken down as follows:

6 a. The purchase price of the certificate of delinquency;

7 b. Interest accrued subsequent to the purchase of the certificate of
8 delinquency; and

9 c. Fees imposed by the third-party purchaser;

10 5. If the third-party purchaser is required to register with the department as
11 provided in KRS 134.128(3), for certificates of delinquency purchased
12 after June 1, 2012, a statement informing the taxpayer that upon written
13 request and the payment of a processing fee, the third-party purchaser
14 will offer a payment plan; and

15 6. Information, in a format and with content as determined by the
16 department, detailing the provisions of the law relating to third-party
17 purchaser fees and charges.

18 (e) In addition, the notice shall provide the following information to the taxpayer:

19 1. The legal name of the third-party purchaser;

20 2. The third-party purchaser's physical address;

21 3. The third-party purchaser's mailing address for payments, if different
22 from the physical address; and

23 4. The third-party purchaser's telephone number.

24 If the information required by this paragraph changes, the third-party
25 purchaser shall, within thirty (30) days of the change becoming effective, send
26 a notice to each taxpayer by certified mail with proof of mailing with the
27 corrected information. The third-party purchaser shall also update contact

1 information included in the records of the county clerk within ten (10) days of
2 the change becoming effective. Failure to send the original notice or any
3 correction notices shall result in the suspension of the accrual of all interest
4 and any fees incurred by the third-party purchaser after that date until proper
5 notice is given as required by this subsection.

6 (4) If a person entitled to pay a certificate of delinquency to a third-party purchaser
7 makes payment on the certificate of delinquency to the county clerk under the
8 conditions described in KRS 134.127(3)(d), the payment shall constitute payment in
9 full, and no other amounts may be collected by the third-party purchaser from the
10 person.

11 (5) (a) For certificates of delinquency purchased after June 1, 2012, at the written
12 request of a delinquent taxpayer, a third-party purchaser required to register
13 with the department as provided in KRS 134.128(3) shall provide a monthly
14 installment payment plan to a taxpayer.

15 (b) The taxpayer and third-party purchaser shall sign an agreement detailing the
16 terms of the installment payment plan.

17 (c) The third-party purchaser may impose a processing fee, not to exceed eight
18 dollars (\$8) per month to offset the administrative cost of providing the
19 payment plan. No other fees, charges, interest, or other amounts not expressly
20 authorized by this chapter shall be charged, assessed, or collected by the third-
21 party purchaser.

22 (d) The existence of an agreement to provide a payment plan shall not impact the
23 right of the third-party purchaser to pursue legal action if the delinquent
24 taxpayer fails to follow the terms of the installment payment agreement.

25 (e) Upon default of a delinquent taxpayer:

26 1. The third-party purchaser shall retain all amounts paid, which shall be
27 applied to the outstanding balance due; and

- 1 2. The third-party purchaser shall not be required to offer the delinquent
2 taxpayer another opportunity for an installment payment plan.
- 3 (f) If a third-party purchaser who was required to offer payment plans pursuant to
4 paragraph (a) of this subsection, subsequently does not purchase a sufficient
5 number of certificates of delinquency to require registration with the
6 department, the third-party purchaser shall continue to offer payment plans
7 under the conditions established by this subsection for all delinquent
8 taxpayers whose certificates of delinquency were purchased during a period in
9 which the third-party purchaser was required to register with the department.
- 10 (g) A third-party purchaser who is not required to register with the department as
11 provided in KRS 134.128(3), or who holds certificates of delinquency
12 purchased prior to June 1, 2012, may voluntarily offer installment payment
13 plans to delinquent taxpayers in accordance with the provisions of this
14 subsection.
- 15 (h) The department may establish additional terms and conditions for installment
16 payment plans in an administrative regulation.
- 17 (6) Any person to whom a third-party purchaser transfers or assigns a
18 certificate of delinquency shall be considered a third-party purchaser
19 under this chapter.

20 ➔Section 36. KRS 138.130 is amended to read as follows:

21 As used in KRS 138.130 to 138.205:

- 22 (1) ~~{(a)-}~~"Chewing tobacco":
- 23 (a) Means any leaf tobacco that is not intended to be smoked;~~[-and-]~~
- 24 (b) Includes loose leaf chewing tobacco, plug chewing tobacco, and twist
25 chewing tobacco;and~~[-~~
- 26 ~~(b)-~~"Chewing tobacco";
- 27 (c) Does not include snuff;

- 1 (2) "Cigarettes" means any roll for smoking made wholly or in part of tobacco, or any
 2 substitute for tobacco, irrespective of size or shape and whether or not the tobacco
 3 is flavored, adulterated, or mixed with any other ingredient, the wrapper or cover of
 4 which is made of paper or any other substance or material, except tobacco;
- 5 (3) "Cigarette tax" means the group of taxes consisting of:
- 6 (a) The tax imposed by KRS 138.140(1)(a);
 7 (b) The surtax imposed by KRS 138.140(1)(b); and
 8 (c) The surtax imposed by KRS 138.140(1)(c);
- 9 (4) ~~[(a)]~~ "Closed vapor cartridge":
- 10 (a) Means a pre-filled disposable cartridge that:
- 11 1. Is intended to be used with or in a noncombustible product that employs
 12 a heating element, battery, power source, electronic circuit, or other
 13 electronic, chemical, or mechanical means, regardless of shape or size,
 14 to deliver vaporized or aerosolized nicotine, non-nicotine substances, or
 15 other materials to users that may be inhaling from the product, ***including***
 16 ***but not limited to*** ~~[such as]~~ any electronic cigarette, electronic cigar,
 17 electronic cigarillo, electronic pipe, or other similar product or device
 18 and every variation thereof, regardless of whether marketed as ***one of***
 19 ***these products*** ~~[such]~~; and
- 20 2. Contains nicotine or non-nicotine substances or other material consumed
 21 during the process of vaporization or aerosolization; ***and*** ~~[-]~~
- 22 (b) ~~["Closed vapor cartridge"]~~ Does not include any product regulated as a drug
 23 or device by the United States Food and Drug Administration under Chapter
 24 V of the Food, Drug, and Cosmetic Act;
- 25 (5) "Department" means the Department of Revenue;
- 26 (6) "Distributor" means any person ***located:***
- 27 (a) ***In this state or outside*** ~~[within]~~ this state in possession of tobacco products or

1 vapor products for resale within this state; or

2 (b) Outside this state selling tobacco products or vapor products to consumers
 3 in this state;

4 on which the tobacco products tax imposed under KRS 138.140(2) has not been
 5 paid;

6 (7) "Half-pound unit" means a consumer-sized container, pouch, or package:

7 (a) Containing at least four (4) ounces but not more than eight (8) ounces of
 8 chewing tobacco by net weight;

9 (b) Produced by the manufacturer to be sold to consumers as a half-pound unit
 10 and not produced to be divided or sold separately; and

11 (c) Containing one (1) individual container, pouch, or package;

12 (8) "Manufacturer" means any person who manufactures or produces cigarettes or
 13 tobacco products within or without this state;

14 (9) "Nonresident wholesaler" means any person who purchases cigarettes directly from
 15 the manufacturer and maintains a permanent location outside this state where
 16 Kentucky cigarette tax evidence is attached or from where Kentucky cigarette tax is
 17 reported and paid;

18 (10) ~~[(a)]~~ "Open vaping system":

19 (a) Means:

20 1. Any noncombustible product that employs a heating element, battery,
 21 power source, electronic circuit, or other electronic, chemical, or
 22 mechanical means, regardless of shape or size ~~and including the~~
 23 ~~component parts and accessories thereto,~~ that uses a refillable liquid
 24 solution to deliver vaporized or aerosolized nicotine, non-nicotine
 25 substances, or other materials to users that may be inhaling from the
 26 product; and

27 2. Any liquid solution that is intended to be used with the product

1 *described in subparagraph 1. of this paragraph;*

2 (b) Includes: ~~such as~~

3 1. Any electronic cigarette, electronic cigar, electronic cigarillo, electronic
4 pipe, or similar product or device and every variation thereof, regardless
5 of whether marketed as *one of those products* ~~such~~; and

6 2. Any *component parts to or accessories for a product described in*
7 *paragraph (a)1. of this subsection; and* ~~liquid solution that is intended~~
8 ~~to be used with the product described in subparagraph 1. of this~~
9 ~~paragraph.~~

10 (c)~~(b)~~ ~~["Open vaping system"]~~ Does not include any product regulated as a
11 drug or device by the United States Food and Drug Administration under
12 Chapter V of the Food, Drug, and Cosmetic Act;

13 (11) "Person" means:

14 (a) Any individual, firm, copartnership, joint venture, association, municipal
15 *corporation,* or private corporation, whether organized for profit or not;~~;~~

16 (b) The Commonwealth of Kentucky or any of its political subdivisions; *and*~~;~~

17 (c) An estate, trust, or any other group or combination acting as a unit;

18 (12) "Pound unit" means a consumer-sized container, pouch, or package:

19 (a) Containing more than eight (8) ounces but not more than sixteen (16) ounces
20 of chewing tobacco by net weight;

21 (b) Produced by the manufacturer to be sold to consumers as a pound unit and not
22 produced to be divided or sold separately; and

23 (c) Containing one (1) individual container, pouch, or package;

24 (13) *"Premium cigar" means a cigar that:*

25 (a) Is:

26 1. *Wrapped in whole tobacco leaf; and*

27 2. *Handmade or hand rolled;*

1 (b) Contains:

- 2 1. No ingredients or additives, except tobacco, water, and vegetable gum;
 3 2. A one hundred percent (100%) leaf tobacco binder; and
 4 3. At least fifty percent (50%) of the filler tobacco by weight of long filler
 5 tobacco;

6 (c) Does not have a:

- 7 1. Filter, tobacco tip, or nontobacco mouthpiece; or
 8 2. Characterizing flavor other than tobacco; and

9 (d) Weighs more than six (6) pounds per one thousand (1,000) units;

10 (14) "Reference products" means tobacco products, vapor products, or cigarettes made
 11 by a manufacturer specifically for an accredited state college or university to be
 12 held by the college or university until sale or transfer to a laboratory, hospital,
 13 medical center, institute, college or university, manufacturer, or other institution;

14 (15)~~(14)~~ "Resident wholesaler" means any person who purchases at least seventy-five
 15 percent (75%) of all cigarettes purchased by the wholesaler directly from the
 16 manufacturer on which the cigarette tax is unpaid, and who maintains an
 17 established place of business in this state where the wholesaler attaches cigarette tax
 18 evidence or receives untax-paid cigarettes;

19 (16)~~(15)~~ "Retail distributor" means a retailer who has obtained a retail distributor's
 20 license under KRS 138.195;

21 (17)~~(16)~~ "Retailer" means any person who sells to a consumer or to any person for any
 22 purpose other than resale;

23 (18)~~(17)~~ "Sale" or "sell" means any transfer for a consideration, exchange, barter, gift,
 24 offer for sale, advertising for sale, soliciting an order for cigarettes ~~or~~ tobacco
 25 products, or vapor products, and distribution in any manner or by any means
 26 whatsoever;

27 (19)~~(18)~~ "Sale at retail" means a sale to any person for any other purpose other than

1 resale;

2 ~~(20)~~~~(19)~~ "Single unit" means a consumer-sized container, pouch, or package:

3 (a) Containing less than four (4) ounces of chewing tobacco by net weight;

4 (b) Produced by the manufacturer to be sold to consumers as a single unit and not
5 produced to be divided or sold separately; and

6 (c) Containing one (1) individual container, pouch, or package;

7 ~~(21)~~~~(20)~~—(a) "Snuff":

8 (a) Means tobacco that:

9 1. Is finely cut, ground, or powdered; and

10 2. Is not for smoking; ~~and~~.

11 (b) ~~"Snuff"~~ Includes snus;

12 ~~(22)~~~~(21)~~ "Subjobber"~~"Sub-jobber"~~ means any person who purchases cigarettes from
13 a resident wholesaler, nonresident wholesaler, or unclassified acquirer licensed
14 under KRS 138.195 on which the cigarette tax has been paid and makes them
15 available to retailers for resale. ~~A~~~~No~~ person shall ***not*** make cigarettes available to
16 retailers for resale unless the person certifies and establishes to the satisfaction of
17 the department that firm arrangements have been made to regularly supply at least
18 five (5) retail locations with Kentucky tax-paid cigarettes for resale in the regular
19 course of business;

20 ~~(23)~~~~(22)~~ "Tax evidence" means any stamps, metered impressions, or other indicia
21 prescribed by the department within an~~by~~ administrative regulation ***promulgated***
22 ***in accordance with KRS Chapter 13A*** as a means of denoting the payment of
23 cigarette taxes;

24 ~~(24)~~~~(23)~~ "Tobacco products" means any smokeless tobacco products, smoking tobacco,
25 chewing tobacco, and any kind or form of tobacco prepared in a manner suitable for
26 chewing or smoking, or both, or any kind or form of tobacco that is suitable to be
27 placed in an individual's oral cavity, except cigarettes;

1 ~~(25)~~~~(24)~~ "Tobacco products tax" means the tax imposed by KRS 138.140(2)(a)1. to
2 4.~~(3.)~~;

3 ~~(26)~~~~(25)~~ "Transporter" means any person transporting untax-paid cigarettes obtained
4 from any source to any destination within this state, other than cigarettes
5 transported by the manufacturer thereof;

6 ~~(27)~~~~(26)~~ "Unclassified acquirer" means any person in this state who acquires cigarettes
7 from any source on which the cigarette tax has not been paid, and who is not a
8 person otherwise required to be licensed under KRS 138.195;

9 ~~(28)~~~~(27)~~ "Untax-paid cigarettes" means any cigarettes on which the cigarette tax
10 imposed by KRS 138.140 has not been paid;

11 ~~(29)~~~~(28)~~ "Untax-paid tobacco or vapor products" means any tobacco products or vapor
12 products on which the tax imposed by KRS 138.140(2) has not been paid;

13 ~~(30)~~~~(29)~~ "Vapor products" means a closed vapor cartridge or an open vaping system;

14 ~~(31)~~~~(30)~~ "Vapor products tax" means tax imposed under KRS 138.140(2)(a)~~4. and~~ 5.
15 and 6.; and

16 ~~(32)~~~~(31)~~ "Vending machine operator" means any person ~~that~~~~who~~ operates one (1) or
17 more vending machines containing cigarettes, tobacco products, vapor products,
18 or a combination thereof~~[cigarette vending machines].~~

19 ➔Section 37. KRS 138.140 is amended to read as follows:

20 (1) (a) A tax shall be paid on the sale of cigarettes within the state at a proportionate
21 rate of three cents (\$0.03) on each twenty (20) cigarettes.

22 (b) Effective July 1, 2018, a surtax shall be paid in addition to the tax levied in
23 paragraph (a) of this subsection at a proportionate rate of one dollar and six
24 cents (\$1.06) on each twenty (20) cigarettes.

25 (c) A surtax shall be paid in addition to the tax levied in paragraph (a) of this
26 subsection and in addition to the surtax levied by paragraph (b) of this
27 subsection, at a proportionate rate of one cent (\$0.01) on each twenty (20)

1 cigarettes. The revenues from this surtax shall be deposited in the cancer
2 research institutions matching fund created in KRS 164.043.

3 (d) The surtaxes imposed by paragraphs (b) and (c) of this subsection shall be
4 paid at the time that the tax imposed by paragraph (a) of this subsection is
5 paid.

6 (2) (a) An excise tax is hereby imposed upon every distributor for the privilege of
7 selling tobacco products in this state at the following rates:

8 1. Upon snuff at the rate of nineteen cents (\$0.19) per each one and one-
9 half (1-1/2) ounces or portion thereof by net weight sold;

10 2. Upon chewing tobacco at the rate of:

11 a. Nineteen cents (\$0.19) per each single unit sold;

12 b. Forty cents (\$0.40) per each half-pound unit sold; or

13 c. Sixty-five cents (\$0.65) per each pound unit sold.

14 If the container, pouch, or package on which the tax is levied contains
15 more than sixteen (16) ounces by net weight, the rate that shall be
16 applied to the unit shall equal the sum of sixty-five cents (\$0.65) plus
17 nineteen cents (\$0.19) for each increment of four (4) ounces or portion
18 thereof exceeding sixteen (16) ounces sold;

19 3. *a. On or after July 1, 2026, upon premium cigars, at the rate of*
20 *fifteen percent (15%) of the actual price for which the distributor*
21 *sells premium cigars within the Commonwealth, except that the*
22 *tax on premium cigars shall not exceed a maximum amount*
23 *equal to sixty cents (\$0.60) per premium cigar sold within the*
24 *Commonwealth.*

25 *b. Beginning July 1, 2027, and every July 1 thereafter:*

26 *i. The maximum amount to be levied on premium cigars shall*
27 *be adjusted by the percent increase in the nonseasonally*

1 adjusted annual average Consumer Price Index for All
 2 Urban Consumers (CPI-U), U.S. City Average, Tobacco
 3 products other than cigarettes, between the two (2) most
 4 recent calendar years available, as published by the United
 5 States Bureau of Labor Statistics and rounded to the
 6 nearest cent.

7 ii. Notification of the change in the maximum amount to be
 8 levied shall be published on the department's website at
 9 least twenty (20) days in advance of July 1 of each calendar
 10 year;

11 4. a. Prior to July 1, 2026, upon tobacco products sold, at the rate of
 12 fifteen percent (15%) of the actual price for which the distributor
 13 sells tobacco products, except snuff and chewing tobacco, within
 14 the Commonwealth; and

15 b. On or after July 1, 2026, upon tobacco products sold, at the rate
 16 of fifteen percent (15%) of the actual price for which the
 17 distributor sells tobacco products, except snuff, chewing tobacco,
 18 and premium cigars, within the Commonwealth;

19 ~~5.4.~~ Upon closed vapor cartridges, one dollar and fifty cents (\$1.50) per
 20 cartridge; and

21 ~~6.5.~~ Upon open vaping systems, fifteen percent (15%) of the actual price for
 22 which the distributor sells:

23 a. The open vaping system when the actual price includes the items
 24 described in both KRS 138.130(10)(a)~~1.~~ and (b)~~2.~~; or

25 b. The liquid solution described in KRS 138.130(10)(a)2. when the
 26 solution is sold separately.

27 (b) The net weight posted by the manufacturer on the container, pouch, or

1 package or on the manufacturer's invoice shall be used to calculate the tax due
2 on snuff or chewing tobacco.

3 (c) 1. A retailer located in this state shall not purchase tobacco products for
4 resale to consumers from any person within or outside this state unless
5 that person is a distributor licensed under KRS 138.195(7)(a) or the
6 retailer applies for and is granted a retail distributor's license under KRS
7 138.195(7)(b) for the privilege of purchasing untax-paid tobacco
8 products and remitting the tax as provided in this paragraph.

9 2. A licensed retail distributor of tobacco products shall be subject to the
10 excise tax as follows:

11 a. On purchases of untax-paid snuff, at the same rate levied by
12 paragraph (a)1. of this subsection;

13 b. On purchases of untax-paid chewing tobacco, at the same rates
14 levied by paragraph (a)2. of this subsection;

15 c. *On purchases of untax-paid premium cigars, at the same rate*
16 *levied by paragraph (a)3. of this subsection;*

17 *d.* On purchases of untax-paid tobacco products, except snuff,
18 *premium cigars,* and chewing tobacco, fifteen percent (15%) of
19 the total purchase price as invoiced by the retail distributor's
20 supplier;

21 *e.*~~[d.]~~ On purchases of untax-paid closed vapor cartridges, at the same
22 rate levied by paragraph (a)*5.*~~[4.]~~ of this subsection; and

23 *f.*~~[e.]~~ On purchases of untax-paid open vaping systems, fifteen percent
24 (15%) of the total purchase price as invoiced by the retail
25 distributor's supplier as described in paragraph (a)*6.*~~[5.]~~ of this
26 subsection.

27 (d) 1. The licensed distributor that first possesses tobacco products or vapor

1 products for sale to a retailer in this state or for sale to a person who is
2 not licensed under KRS 138.195(7) shall be the distributor liable for the
3 tax imposed by this subsection except as provided in subparagraph 2. of
4 this paragraph.

5 2. A distributor licensed under KRS 138.195(7)(a) may sell tobacco
6 products or vapor products to another distributor licensed under KRS
7 138.195(7)(a) without payment of the excise tax. In such case, the
8 purchasing licensed distributor shall be the distributor liable for the tax.

9 3. A licensed distributor or licensed retail distributor shall:

10 a. Identify and display the distributor's or retail distributor's license
11 number on the invoice to the retailer; and

12 b. Identify and display the excise tax separately on the invoice to the
13 retailer. If the excise tax is included as part of the product's sales
14 price, the licensed distributor or licensed retail distributor shall list
15 the total excise tax in summary form by tax type with invoice
16 totals.

17 4. It shall be presumed that the excise tax has not been paid if the licensed
18 distributor or licensed retail distributor does not comply with
19 subparagraph 3. of this paragraph.

20 (e) ~~A tax~~ tax shall **not** be imposed on tobacco products or vapor products under
21 this subsection that are **outside**~~[not within]~~ the taxing power of this state under
22 the Commerce Clause of the United States Constitution.

23 (3) (a) The taxes imposed by subsections (1) and (2) of this section:

24 1. Shall not apply to reference products; and

25 2. Shall be paid only once, regardless of the number of times the cigarettes
26 or tobacco products may be sold.

27 (b) The taxes imposed by subsection (1)(a) and (b) and subsection (2) of this

1 section shall be reduced by:

- 2 1. Fifty percent (50%) on any product as to which a modified risk tobacco
3 product order is issued under 21 U.S.C. sec. 387k(g)(1); or
- 4 2. Twenty-five percent (25%) for any product as to which a modified risk
5 tobacco product order is issued under 21 U.S.C. sec. 387k(g)(2).

6 (4) A reference product shall carry a marking labeling the contents as a research
7 cigarette, research vapor product, or a research tobacco product to be used only for
8 tobacco-health research and experimental purposes and shall not be offered for sale,
9 sold, or distributed to consumers.

10 (5) The department may prescribe forms and promulgate administrative regulations to
11 execute and administer the provisions of this section.

12 (6) The General Assembly recognizes that increasing taxes on tobacco products should
13 reduce consumption, and therefore result in healthier lifestyles for Kentuckians. The
14 relative taxes on tobacco products proposed in this section reflect the growing data
15 from scientific studies suggesting that although smokeless tobacco poses some
16 risks, those health risks are significantly less than the risks posed by other forms of
17 tobacco products. Moreover, the General Assembly acknowledges that some in the
18 public health community recognize that tobacco harm reduction should be a
19 complementary public health strategy regarding tobacco products. Taxing tobacco
20 products according to relative risk is a rational tax policy and may well serve the
21 public health goal of reducing smoking-related mortality and morbidity and
22 lowering health care costs associated with tobacco-related disease.

23 (7) Any person subject to the taxes imposed under subsections (1) and (2) of this
24 section that:

- 25 (a) Files an application related to a modified risk tobacco product shall report to
26 the department that an application has been filed within thirty (30) days of
27 that filing; and

1 (b) Receives an order authorizing the marketing of a modified risk tobacco
2 product shall report to the department that an authorizing order has been
3 received.

4 (8) Upon receipt of the information required by subsection (7)(b) of this section, the
5 department shall reduce the tax imposed on the modified risk tobacco product as
6 required by subsection (3)(b) of this section on the first day of the calendar month
7 following the expiration of forty-five (45) days following receipt of the information
8 required by subsection (7)(b) of this section.

9 ➔Section 38. KRS 138.143 is amended to read as follows:

10 (1) Every retailer, subjobber~~[sub jobber]~~, resident wholesaler, nonresident wholesaler,
11 and unclassified acquirer shall:

12 (a) Take a physical inventory of all cigarettes in packages bearing Kentucky tax
13 stamps, and all unaffixed Kentucky cigarette tax stamps possessed by them or
14 in their control at 11:59 p.m. on June 30, 2018. Inventory of cigarettes in
15 vending machines may be accomplished by:

- 16 1. Taking an actual physical inventory;
- 17 2. Estimating the cigarettes in vending machines by reporting one-half
18 (1/2) of the normal fill capacity of the machines, as reflected in
19 individual inventory records maintained for vending machines; or
- 20 3. Using a combination of the methods prescribed in subparagraphs 1. and
21 2. of this paragraph;

22 (b) File a return with the department on or before July 10, 2018, showing the
23 entire wholesale and retail inventories of cigarettes in packages bearing
24 Kentucky tax stamps, and all unaffixed Kentucky cigarette tax stamps
25 possessed by them or in their control at 11:59 p.m. on June 30, 2018; and

26 (c) Pay a floor stock tax at a proportionate rate equal to fifty cents (\$0.50) on
27 each twenty (20) cigarettes in packages bearing a Kentucky tax stamp and

1 unaffixed Kentucky tax stamps in their possession or control at 11:59 p.m. on
2 June 30, 2018.

3 (2) Every retailer and subjobber~~sub-jobber~~ shall:

4 (a) 1. Take a physical inventory of all units of snuff possessed by them or in
5 their control at 11:59 p.m. on March 31, 2009;

6 2. File a return with the department on or before April 10, 2009, showing
7 the entire inventory of snuff possessed by them or in their control at
8 11:59 p.m. on March 31, 2009; and

9 3. Pay a floor stock tax at a proportionate rate equal to nine and one-half
10 cents (\$0.095) on each unit of snuff in their possession or control at
11 11:59 p.m. on March 31, 2009; and

12 (b) 1. a. Take a physical inventory of all other tobacco products possessed
13 by them or in their control at 11:59 p.m. on March 31, 2009;

14 b. File a return with the department on or before April 10, 2009,
15 showing the entire inventories of other tobacco products possessed
16 by them or in their control at 11:59 p.m. on March 31, 2009; and

17 c. Pay a floor stock tax at a proportionate rate equal to seven and
18 one-half percent (7.5%) on the purchase price of other tobacco
19 products in their possession or control at 11:59 p.m. on March 31,
20 2009.

21 2. a. As used in this paragraph, "purchase price" means the actual
22 amount paid for the other tobacco products subject to the tax
23 imposed by this paragraph.

24 b. If the retailer or subjobber~~sub-jobber~~ cannot determine the
25 actual amount paid for each item of other tobacco product, the
26 retailer or subjobber~~sub-jobber~~ may use as the purchase price
27 the amount per unit paid as reflected on the most recent invoice

1 received prior to April 1, 2009,~~---~~ for the same category of other
2 tobacco product.

3 c. To prevent double taxation, if the invoice used by the retailer or
4 subjobber~~sub-jobber~~ to determine the purchase price of the
5 other tobacco product does not separately state the tax paid by the
6 wholesaler, the retailer or subjobber~~sub-jobber~~ may reduce the
7 amount paid per unit by seven and one-half percent (7.5%).

8 (3) (a) The taxes imposed by this section may be paid in three (3) installments. The
9 first installment, in an amount equal to at least one-third (1/3) of the total
10 amount due, shall be remitted with the return provided by the department on
11 or before July 10, 2018. The second installment, in an amount that brings the
12 total amount paid to at least two-thirds (2/3) of the total amount due, shall be
13 remitted on or before August 10, 2018. The third installment, in an amount
14 equal to the remaining balance, shall be remitted on or before September 10,
15 2018.

16 (b) Interest shall not be imposed against any outstanding installment payment not
17 yet due from any retailer, subjobber~~sub-jobber~~, resident wholesaler,
18 nonresident wholesaler, or unclassified acquirer who files the return and
19 makes payments as required under this section.

20 (c) Any retailer, subjobber~~sub-jobber~~, resident wholesaler, nonresident
21 wholesaler, or unclassified acquirer who fails to file a return or make a
22 payment on or before the dates provided in this section shall, in addition to the
23 tax, pay interest at the tax interest rate as defined in KRS 131.010(6) from the
24 date on which the return was required to be filed.

25 ➔Section 39. KRS 138.146 is amended to read as follows:

26 (1) The cigarette tax shall be due when any licensed wholesaler or unclassified acquirer
27 takes possession within this state of untax-paid cigarettes.

- 1 (2) (a) The cigarette tax shall be paid by the purchase of stamps by a resident
2 wholesaler within forty-eight (48) hours after the wholesaler receives the
3 cigarettes.
- 4 (b) A stamp shall be affixed to each package of an aggregate denomination not
5 less than the amount of the cigarette tax on the package.
- 6 (c) The affixed stamp shall be prima facie evidence of payment of the cigarette
7 tax.
- 8 (d) Unless stamps have been previously affixed, they shall be affixed by each
9 resident wholesaler prior to the delivery of any cigarettes to a retail location or
10 any person in this state.
- 11 (e) The evidence of cigarette tax payment shall be affixed to each individual
12 package of cigarettes by a nonresident wholesaler prior to the introduction or
13 importation of the cigarettes into the territorial limits of this state.
- 14 (f) The evidence of cigarette tax payment shall be affixed by an unclassified
15 acquirer within twenty-four (24) hours after the cigarettes are received by the
16 unclassified acquirer.
- 17 (3) (a) The department shall, by an administrative regulation promulgated in
18 accordance with KRS Chapter 13A, prescribe the form of cigarette tax
19 evidence, the method and manner of the sale and distribution of cigarette tax
20 evidence, and the method and manner that tax evidence shall be affixed to the
21 cigarettes.
- 22 (b) All cigarette tax evidence prescribed by the department shall be designed and
23 furnished in a fashion to permit identification of the person that affixed the
24 cigarette tax evidence to the particular package of cigarettes, by means of
25 numerical rolls or other mark on the cigarette tax evidence.
- 26 (c) The department shall maintain for at least three (3) years information
27 identifying the person that affixed the cigarette tax evidence to each package

1 of cigarettes. This information shall not be kept confidential or exempt from
2 disclosure to the public through open records.

3 (4) (a) Units of cigarette tax evidence shall be sold at their face value, but the
4 department shall allow as compensation to any licensed wholesaler an amount
5 of tax evidence equal to a proportionate rate of one and one-half cents
6 (\$0.015) on each twenty (20) cigarettes.

7 (b) The department shall have the power to withhold compensation as provided in
8 paragraph (a) of this subsection from any licensed wholesaler for failure to
9 abide by any provisions of KRS 138.130 to 138.205 or any administrative
10 regulations promulgated thereunder. Any refund or credit for unused cigarette
11 tax evidence shall be reduced by the amount allowed as compensation at the
12 time of purchase.

13 (5) (a) Payment for units of cigarette tax evidence shall be made at the time the units
14 are sold, unless the licensed wholesaler:

15 1. Has filed with the department a bond, issued by a corporation authorized
16 to do surety business in Kentucky, in an amount:

17 a. Determined by the department; or

18 b. i. Not less than the monthly average of payments by the
19 wholesaler for the units of cigarette tax evidence purchased
20 in the immediately preceding calendar year, which may be
21 delayed under paragraph (b) of this subsection; and

22 ii. No greater than ten million dollars (\$10,000,000); and

23 2. Has registered and agrees to make the payment of tax to the department
24 electronically.

25 ~~[At no time shall]~~ The licensed wholesaler ***shall not*** be allowed to delay any
26 payment for units of cigarette tax evidence, including tax, penalty, interest, or
27 collection fees, which would exceed the amount of bond filed with the

1 department.

2 (b) Except as provided in paragraph (c) of this subsection, if the licensed
3 wholesaler qualifies under paragraph (a) of this subsection, the licensed
4 wholesaler shall have ten (10) days from the date of purchase to remit
5 payment of cigarette tax, without the assessment of civil penalties under KRS
6 131.180 or interest under KRS 131.183 during the ten (10) day period.

7 (c) 1. The ten (10) day payment period under paragraph (b) of this subsection
8 shall not apply to the payment for units of cigarette tax evidence during
9 the last ten (10) days of the month of June during each fiscal year.

10 2. All payments for units of cigarette tax evidence made under paragraph
11 (b) of this subsection during the month of June shall be made the earlier
12 of:

13 a. The ten (10) day period; or

14 b. June 25.

15 (d) If the licensed wholesaler does not make the payment of cigarette tax within
16 the ten (10) day period, or within the period of time under paragraph (c) of
17 this subsection, the department shall:

18 1. Revoke the license required under KRS 138.195;

19 2. Issue a demand for payment in an amount equal to the cigarette tax
20 evidence purchased, plus all penalties, interest, and collection fees
21 applicable, up to the amount of the required bond; and

22 3. Require immediate payment of the bond.

23 (6) (a) The bond required under subsection (5) of this section shall be on a form and
24 with a surety approved by the department.

25 (b) The licensed wholesaler shall be named as the principal obligor and the
26 department shall be named as the obligee within the bond.

27 (c) The bond shall be conditioned upon the payment by the licensed wholesaler of

- 1 all cigarette tax imposed by the Commonwealth.
- 2 (d) The provisions of KRS 131.110 shall not apply to the demand for payment
3 required under subsection (5)(c)2. of this section.
- 4 (7) (a) ~~[No]~~ Tax evidence ***shall not***~~[may]~~ be affixed~~[,]~~ or used in any way~~[,]~~ by any
5 person other than the person purchasing the ***tax*** evidence from the department.
- 6 (b) Tax evidence ***shall***~~[may]~~ not be transferred or negotiated, and ***shall***~~[may]~~ not,
7 by any scheme or device, be given, bartered, sold, traded, or loaned to any
8 other person.
- 9 (c) Unaffixed tax evidence may be returned to the department for credit or refund
10 for any reason satisfactory to the department.
- 11 (8) (a) In the event any retailer ***takes***~~[receives into his]~~ possession ***of*** cigarettes to
12 which evidence of Kentucky tax payment is not properly affixed, the retailer
13 shall, within twenty-four (24) hours, notify the department of the receipt.
- 14 (b) The notification to the department shall be in writing, stating the name of the
15 person from whom the cigarettes were received and the quantity of those
16 cigarettes.
- 17 (c) The written notice may be:
- 18 1. Given to any field agent of the department; or
19 2. Directed to the commissioner of the Department of Revenue, Frankfort,
20 Kentucky.
- 21 (d) If the notice is given by means of the United States mail, it shall be sent by
22 certified mail.
- 23 (e) Any~~[such]~~ cigarettes ***to which evidence of Kentucky tax payment is not***
24 ***properly affixed*** shall be retained by the retailer, and not sold, for a period of
25 fifteen (15) days after giving the notice provided in this subsection.
- 26 (f) The retailer may, at ***the retailer's***~~[his]~~ option, pay the tax due on those
27 cigarettes according to administrative regulations prescribed by the

1 department, and proceed to sell those cigarettes after the payment.

2 (9) (a) Cigarettes stamped with the cigarette tax evidence of another state shall at no
3 time be commingled with cigarettes on which the Kentucky cigarette tax
4 evidence has been affixed.

5 (b) Any licensed wholesaler, licensed subjobber~~[sub-jobber]~~, or licensed vending
6 machine operator may hold cigarettes stamped with the tax evidence of
7 another state for any period of time, subsection (2) of this section
8 notwithstanding.

9 ➔Section 40. KRS 138.195 is amended to read as follows:

10 (1) (a) ~~A~~~~no~~ person other than a manufacturer shall **not** acquire cigarettes in this
11 state on which the Kentucky cigarette tax has not been paid, nor act as a
12 resident wholesaler, nonresident wholesaler, vending machine operator,
13 subjobber~~[sub-jobber]~~, transporter or unclassified acquirer of such cigarettes
14 without first obtaining a license from the department as provided~~[set out]~~ in
15 this section.

16 (b) ~~A~~~~no~~ person shall **not** act as a distributor of tobacco products or vapor
17 products without first obtaining a license from the department as provided~~[set
18 out]~~ in this section.

19 (c) ~~An~~~~[For licenses effective for periods beginning on or after July 1, 2015, no]~~
20 individual, entity, or any other group or combination acting as a unit **shall**
21 **not**~~[may]~~ be eligible to obtain a license under this section if the individual, or
22 any partner, director, principal officer, or manager of the entity or any other
23 group or combination acting as a unit has been convicted of or entered a plea
24 of guilty or nolo contendere to:

- 25 1. A crime relating to the reporting, distribution, sale, or taxation of
- 26 cigarettes, tobacco products, or vapor products; or
- 27 2. A crime involving fraud, falsification of records, improper business

- 1 transactions or reporting;
- 2 for ten (10) years from the expiration of probation or final discharge from
- 3 parole or maximum expiration of sentence.
- 4 (2) (a) Each resident wholesaler shall secure a separate license for each place of
- 5 business at which cigarette tax evidence is affixed or at which cigarettes on
- 6 which the Kentucky cigarette tax has not been paid are received.
- 7 (b) Each nonresident wholesaler shall secure a separate license for each place of
- 8 business at which evidence of Kentucky cigarette tax is affixed or from where
- 9 Kentucky cigarette tax is reported and paid.
- 10 (c) Each license shall be secured on or before July 1 of each year.
- 11 (d) Each licensee shall pay the sum of five hundred dollars (\$500) for each year,
- 12 or portion thereof, for which each license is secured.
- 13 (3) (a) Each **subjobber**~~[sub-jobber]~~ shall secure a separate license for each place of
- 14 business from which cigarettes, upon which the cigarette tax has been paid,
- 15 are made available to retailers, whether the place of business is located within
- 16 or without this state.
- 17 (b) Each license shall be secured on or before July 1 of each year.
- 18 (c) Each licensee shall pay the sum of five hundred dollars (\$500) for each year,
- 19 or portion thereof, for which each license is secured.
- 20 (4) (a) Each vending machine operator shall secure a license for the privilege of
- 21 dispensing cigarettes, **tobacco products, or vapor products by vending**
- 22 **machines** on which the~~[cigarette]~~ tax **imposed by Section 37 of this Act is**
- 23 **required to be**~~[has been]~~ paid~~[, by vending machines]~~.
- 24 (b) Each license shall be secured on or before July 1 of each year.
- 25 (c) Each licensee shall pay the sum of twenty-five dollars (\$25) for each year, or
- 26 portion thereof, for which each license is secured.
- 27 (d) ~~A [No]~~ vending machine shall **not** be operated within this Commonwealth

1 without having prominently affixed thereto the name of its operator and the
2 license number assigned to that operator by the department.

3 (e) The department shall prescribe by administrative regulation the manner in
4 which the information shall be affixed to the vending machine.

5 (5) (a) Each transporter shall secure a license for the privilege of transporting
6 cigarettes within this state.

7 (b) Each license shall be secured on or before July 1 of each year.

8 (c) Each licensee shall pay the sum of fifty dollars (\$50) for each year, or portion
9 thereof, for which each license is secured.

10 (d) ~~A~~~~Not~~ transporter shall ***not*** transport any cigarettes without having in actual
11 possession an invoice or bill of lading therefor, showing:

12 1. The name and address of the consignor and consignee;

13 2. The date acquired by the transporter;

14 3. The name and address of the transporter;

15 4. The quantity of cigarettes being transported; and

16 5. The license number assigned to the transporter by the department.

17 (6) ***(a)*** Each unclassified acquirer shall secure a license for the privilege of acquiring
18 cigarettes on which the cigarette tax has not been paid.

19 ***(b)*** ~~Each~~~~The~~ license shall be secured on or before July 1 of each year.

20 ***(c)*** Each licensee shall pay the sum of fifty dollars (\$50) for each year, or portion
21 thereof, for which the license is secured.

22 (7) (a) 1. Each distributor shall secure a license for the privilege of selling tobacco
23 products or vapor products in this state. Each license shall be secured on
24 or before July 1 of each year, and each licensee shall pay the sum of five
25 hundred dollars (\$500) for each year, or portion thereof, for which the
26 license is secured.

27 2. a. A resident wholesaler, nonresident wholesaler, or subjobber

1 licensed under this section may also obtain and maintain a
2 distributor's license at each place of business at no additional cost
3 each year.

4 b. An unclassified acquirer licensed under this section may also
5 obtain and maintain a distributor's license for the privilege of
6 selling tobacco products or vapor products in this state. The
7 license shall be secured on or before July 1 of each year, and each
8 licensee shall pay the sum of four hundred fifty dollars (\$450) for
9 each year, or portion thereof, for which the license is secured.

10 3. The department may, upon application, grant a distributor's license to a
11 person other than a retailer and who is not otherwise required to hold a
12 distributor's license under this paragraph. If the department grants the
13 license, the licensee shall pay the sum of five hundred dollars (\$500) for
14 each year, or portion thereof, for which the license is secured, and the
15 licensee shall be subject to the excise tax in the same manner and
16 subject to the same requirements as a distributor required to be licensed
17 under this paragraph.

18 (b) The department may, upon application, grant a retail distributor's license to a
19 retailer for the privilege of purchasing tobacco products or vapor products
20 from a distributor not licensed by the department. If the department grants the
21 license, the licensee shall pay the sum of one hundred dollars (\$100) for each
22 year, or portion thereof, for which the license is secured.

23 (8) ~~Nothing in~~ KRS 138.130 to 138.205 shall ***not*** be construed to prevent the
24 department from requiring a person to purchase more than one (1) license if the
25 nature of that person's business is so diversified as to justify the requirement.

26 (9) (a) The department may, by administrative regulation ***promulgated in***
27 ***accordance with KRS Chapter 13A,*** require any person requesting a license

1 or holding a license under this section to supply such information concerning
2 his or her business, sales or any privilege exercised, as is deemed reasonably
3 necessary for the regulation of the licensees, and to protect the revenues of the
4 state.

5 (b) Failure on the part of the applicant or licensee to:

- 6 1. Comply with KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or
7 248.754 or any administrative regulations promulgated thereunder; or
- 8 2. Permit an inspection of premises, machines, or vehicles by an authorized
9 agent of the department at any reasonable time;

10 shall be grounds for the denial or revocation of any license issued by the
11 department, after due notice and a hearing by the department.

12 (c) The commissioner may assign a time and place for the hearing and may
13 appoint a conferee who shall conduct a hearing, receive evidence, and hear
14 arguments.

15 (d) The conferee shall thereupon file a report with the commissioner together
16 with a recommendation as to the denial or revocation of the license.

17 (e) From any denial or revocation made by the commissioner on the report, the
18 licensee may prosecute an appeal to the Board of Tax Appeals pursuant to
19 KRS 49.220.

20 (f) Any person whose license has been revoked for the willful violation of any
21 provision of KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or
22 248.754 or any administrative regulations promulgated thereunder shall not be
23 entitled to any license provided for in this section, or have any interest in any
24 license, either disclosed or undisclosed, either as an individual, partnership,
25 corporation or otherwise, for a period of two (2) years after the revocation.

26 (10) ~~A~~~~+~~~~No~~ license issued under~~[pursuant to]~~ this section shall **not** be transferable or
27 negotiable, except that a license may be transferred between an individual and a

1 corporation if that individual is the exclusive owner of that corporation, or between
2 a subsidiary corporation and its parent corporation.

3 (11) Every manufacturer located or doing business in this state and the first person to
4 import cigarettes into this state shall keep written records of all shipments of
5 cigarettes to persons within this state, and shall submit to the department monthly
6 reports of ~~the~~^{such} shipments. All books, records, invoices, and documents
7 required by this section shall be preserved in a form prescribed by the department
8 for not less than four (4) years from the making of the records unless the
9 department authorizes, in writing, the destruction of the records.

10 (12) ~~A~~^{No} person licensed under this section other than a~~except~~ nonresident
11 wholesaler~~wholesalers~~ shall either sell to or purchase from any other such
12 licensee untax-paid cigarettes.

13 (13) (a) Licensed distributors of tobacco products or vapor products shall pay and
14 report the tobacco products tax or vapor products tax on or before the
15 twentieth day of the calendar month following the month in which the
16 possession or title of the tobacco products or vapor products are transferred
17 from the licensed distributor to retailers or consumers in this state, as the case
18 may be.

19 (b) Retailers who have applied for and been granted a retail distributor's license
20 for the privilege of purchasing tobacco products or vapor products from a
21 person who is not a distributor licensed under KRS 138.195(7)(a) shall report
22 and pay the tobacco products tax or vapor products tax on or before the
23 twentieth day of the calendar month following the month in which the
24 products are acquired by the licensed retail distributors.

25 (c) If the distributor or retail distributor timely reports and pays the tax due, the
26 distributor or retail distributor may deduct an amount equal to one percent
27 (1%) of the tax due.

1 (d) The department shall promulgate administrative regulations *in accordance*
2 *with KRS Chapter 13A to prescribe*~~[setting forth]~~ the details of the reporting
3 requirements.

4 (14) A tax return shall be filed for each reporting period whether or not tax is due.

5 (15) Any license issued by the department under this section shall not be construed to
6 waive or condone any violation that occurred or may have occurred prior to the
7 issuance of the license and shall not prevent subsequent proceedings against the
8 licensee.

9 (16) (a) The department may deny the issuance of a license under this section if:

- 10 1. The applicant has made any material false statement on the application
11 for the license; or
12 2. The applicant has violated any provision of KRS 131.600 to 131.630,
13 138.130 to 138.205, 248.754, or 248.756 or any administrative
14 regulations promulgated thereunder.

15 (b) If the department denies the applicant a license under this section, the
16 department shall notify the applicant of the grounds for the denial, and
17 the applicant may request a hearing and appeal the denial as provided in
18 subsection (9) of this section.

19 ➔Section 41. KRS 141.0205 is amended to read as follows:

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

23 (1) The nonrefundable business incentive credits against the tax imposed by KRS
24 141.020 shall be taken in the following order:

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

26 (b) The economic development credits computed under KRS 141.347, 141.381,
27 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and

- 1 154.12-2088;
- 2 (c) The qualified farming operation credit permitted by KRS 141.412;
- 3 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a) ***and***
- 4 ***Section 57 of this Act***;
- 5 (e) The health insurance credit permitted by KRS 141.062;
- 6 (f) The tax paid to other states credit permitted by KRS 141.070;
- 7 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 8 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 9 (i) The ~~tax~~ credit for cash contributions in 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 under 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 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 22 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 23 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 24 (u) The distilled spirits credit permitted by KRS 141.389;
- 25 (v) The angel investor credit permitted by KRS 141.396;
- 26 (w) The film industry credit permitted by KRS 141.383 for applications approved
- 27 on or after April 27, 2018, but before January 1, 2022;

- 1 (x) The inventory credit permitted by KRS 141.408;
- 2 (y) The renewable chemical production credit permitted by KRS 141.4231; and
- 3 (z) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;
- 4 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 5 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 6 shall be taken in the following order:
- 7 (a) The individual credits permitted by KRS 141.020(3);
- 8 (b) The credit permitted by KRS 141.066;
- 9 (c) The tuition credit permitted by KRS 141.069;
- 10 (d) The household and dependent care credit permitted by KRS 141.067;
- 11 (e) The income gap credit permitted by KRS 141.066; and
- 12 (f) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS
- 13 141.522;
- 14 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 15 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 16 taken in the following order:
- 17 (a) The individual withholding tax credit permitted by KRS 141.350;
- 18 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 19 (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
- 20 171.397(1)(b) **and Section 57 of this Act**;
- 21 (d) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications
- 22 approved prior to April 27, 2018, or on or after January 1, 2022;
- 23 (e) The development area ~~tax~~ credit permitted by KRS 141.398;
- 24 (f) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
- 25 (g) The pass-through entity tax credit permitted by KRS 141.209;
- 26 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
- 27 tax imposed by KRS 141.040;

- 1 (5) The following nonrefundable credits shall be applied against the sum of the tax
2 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
3 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 4 (a) The economic development credits computed under KRS 141.347, 141.381,
5 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and
6 154.12-2088;
 - 7 (b) The qualified farming operation credit permitted by KRS 141.412;
 - 8 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a) ***and***
9 ***Section 57 of this Act***;
 - 10 (d) The health insurance credit permitted by KRS 141.062;
 - 11 (e) The unemployment credit permitted by KRS 141.065;
 - 12 (f) The recycling or composting equipment credit permitted by KRS 141.390;
 - 13 (g) The coal conversion credit permitted by KRS 141.041;
 - 14 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
15 ending prior to January 1, 2008;
 - 16 (i) The ~~tax~~ credit for cash contributions to investment funds permitted by KRS
17 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
18 154.20-258;
 - 19 (j) The research facilities credit permitted by KRS 141.395;
 - 20 (k) The employer High School Equivalency Diploma program incentive credit
21 permitted by KRS 151B.402;
 - 22 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
 - 23 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - 24 (n) The clean coal incentive credit permitted by KRS 141.428;
 - 25 (o) The ethanol credit permitted by KRS 141.4242;
 - 26 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
 - 27 (q) The energy efficiency credits permitted by KRS 141.436;

- 1 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
2 permitted by KRS 141.437;
- 3 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 4 (t) The railroad expansion credit permitted by KRS 141.386;
- 5 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 6 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 7 (w) The distilled spirits credit permitted by KRS 141.389;
- 8 (x) The film industry credit permitted by KRS 141.383 for applications approved
9 on or after April 27, 2018, but before January 1, 2022;
- 10 (y) The inventory credit permitted by KRS 141.408;
- 11 (z) The renewable chemical production ~~tax~~ credit permitted by KRS 141.4231;
- 12 (aa) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS
13 141.522; and
- 14 (ab) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;
15 and
- 16 (6) After the application of the nonrefundable credits in subsection (5) of this section,
17 the refundable credits shall be taken in the following order:
- 18 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 19 (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
20 171.397(1)(b) **and Section 57 of this Act**;
- 21 (c) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications
22 approved prior to April 27, 2018, or on or after January 1, 2022;
- 23 (d) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
- 24 (e) The pass-through entity tax credit permitted by KRS 141.209.
- 25 ➔Section 42. KRS 131.190 is amended to read as follows:
- 26 (1) No present or former commissioner or employee of the department, present or
27 former member of a county board of assessment appeals, present or former property

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

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

- 10 (a) Information required in prosecutions for making false reports or returns of
11 property for taxation, or any other infraction of the tax laws;
- 12 (b) Any matter properly entered upon any assessment record, or in any way made
13 a matter of public record;
- 14 (c) Furnishing any taxpayer or his or her properly authorized agent with
15 information respecting his or her own return;
- 16 (d) Testimony provided by the commissioner or any employee of the department
17 in any court, or the introduction as evidence of returns or reports filed with the
18 department, in an action for violation of state or federal tax laws or in any
19 action challenging state or federal tax laws;
- 20 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or
21 energy resources assessed under KRS 132.820, or owners of surface land
22 under which the unmined minerals lie, factual information about the owner's
23 property derived from third-party returns filed for that owner's property, under
24 the provisions of KRS 132.820, that is used to determine the owner's
25 assessment. This information shall be provided to the owner on a confidential
26 basis, and the owner shall be subject to the penalties provided in KRS
27 131.990(2). The third-party filer shall be given prior notice of any disclosure

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

- 1 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization
- 2 credit and the job assessment fees;
- 3 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 4 7. KRS 141.396 for purposes of the angel investor credit;
- 5 8. KRS 141.389 for purposes of the distilled spirits credit;
- 6 9. KRS 141.408 for purposes of the inventory credit;
- 7 10. KRS 141.390 for purposes of the recycling and composting credits;
- 8 11. KRS 141.3841 for purposes of the selling farmer credit;
- 9 12. KRS 141.4231 for purposes of the renewable chemical production
- 10 credit;
- 11 13. KRS 141.524 for purposes of the Education Opportunity Account
- 12 Program credit;
- 13 14. KRS 141.398 for purposes of the development area credit;
- 14 15. KRS 139.516 for purposes of the sales and use tax exemptions for the
- 15 commercial mining of cryptocurrency;
- 16 16. KRS 141.419 for purposes of the decontamination credit;
- 17 17. KRS 141.391 for purposes of the qualified broadband investment credit;
- 18 18. KRS 139.499 for purposes of the sales and use tax exemptions for a
- 19 qualified data center project;~~and~~
- 20 19. KRS 139.5325 for purposes of the sales and use tax incentive for a
- 21 qualifying attraction;
- 22 **20. Section 44 of this Act for purposes of the film and motion picture sales**
- 23 **tax exemption;**
- 24 **21. Section 51 of this Act for purposes of the hiring of unemployed**
- 25 **persons credit;**
- 26 **22. Section 52 of this Act for the purposes of the qualified farming**
- 27 **operations credit;**

1 23. Section 54 of this Act for purposes of the High School Equivalency

2 Diploma Incentives credit; and

3 24. Section 108 of this Act for purposes of refunds issued for coal

4 transported directly to a market outside of North America.

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

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

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

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

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

4 ➔Section 43. KRS 160.6131 is amended to read as follows:

5 As used in KRS 160.613 to 160.617:

6 (1) "Department" means the Department of Revenue;

7 (2) "Communications service" means the provision, transmission, conveyance, or
8 routing, for consideration, of voice, data, video, or any other information signals of
9 the purchaser's choosing to a point or between or among points specified by the
10 purchaser, by or through any electronic, radio, light, fiber optic, or similar medium
11 or method now in existence or later devised.

12 (a) "Communications service" includes but is not limited to:

- 13 1. Local and long-distance telephone services;
- 14 2. Telegraph and teletypewriter services;
- 15 3. Postpaid calling services;
- 16 4. Private communications services involving a direct channel specifically
17 dedicated to a customer's use between specific points;
- 18 5. Channel services involving a path of communications between two (2)
19 or more points;
- 20 6. Data transport services involving the movement of encoded information
21 between points by means of any electronic, radio, or other medium or
22 method;
- 23 7. Caller ID services, ring tones, voice mail, and other electronic
24 messaging services;
- 25 8. Mobile wireless telecommunications service and fixed wireless service
26 as defined in KRS 139.195; and
- 27 9. Voice over Internet Protocol (VOIP).

- 1 (b) "Communications service" does not include any of the following if the
2 charges are separately itemized on the bill provided to the purchaser:
- 3 1. Information services;
 - 4 2. Internet access as defined in 47 U.S.C. sec. 151;
 - 5 3. Installation, reinstallation, or maintenance of wiring or equipment on a
6 customer's premises. This exclusion does not apply to any charge
7 attributable to the connection, movement, change, or termination of a
8 communications service;
 - 9 4. The sale of directory and other advertising and listing services;
 - 10 5. Billing and collection services provided to another communications
11 service provider;
 - 12 6. Cable service, satellite broadcast, satellite master antenna television,
13 wireless cable service, including direct-to-home satellite service as
14 defined in Section 602 of the federal Telecommunications Act of 1996,
15 and Internet protocol television provided through wireline facilities
16 without regard to delivery technology;
 - 17 7. The sale of communications service to a communications provider that
18 is buying the communications service for sale or incorporation into a
19 communications service for sale, including:
 - 20 a. Carrier access charges, excluding user access fees;
 - 21 b. Right of access charges;
 - 22 c. Interconnection charges paid by the provider of mobile
23 telecommunications services or other communications providers;
 - 24 d. Charges for the sale of unbundled network elements as defined in
25 47 U.S.C. sec. 153(29) on January 1, 2001, to which access is
26 provided on an unbundled basis in accordance with 47 U.S.C. sec.
27 251(c)(3); and

- 1 e. Charges for use of facilities for providing or receiving
2 communications service;
- 3 8. ~~8. [The sale of communications services provided to the public by means~~
4 ~~of a pay phone;~~
- 5 9. ~~9. [Prepaid calling services and prepaid wireless calling service;~~
- 6 9.10. Interstate telephone service, if the interstate charge is separately
7 itemized for each call; and
- 8 10.11. If the interstate calls are not itemized, the portion of telephone
9 charges identified and set out on the customer's bill as interstate as
10 supported by the provider's books and records;
- 11 (3) "Gross cost" means the total cost of utility services including the cost of the
12 tangible personal property and any services associated with obtaining the utility
13 services regardless from whom purchased;
- 14 (4) "Gross receipts" means all amounts received in money, credits, property, or other
15 money's worth in any form, as consideration for the furnishing of utility services;
- 16 (5) "Utility services" means the furnishing of communications services, electric power,
17 water, and natural, artificial, and mixed gas;
- 18 (6) "Cable service" has the same meaning as in KRS 136.602;
- 19 (7) "Satellite broadcast and wireless cable service" has the same meaning as in KRS
20 136.602;
- 21 (8) "Ring tones" has the same meaning as in KRS 136.602;
- 22 (9) "Multichannel video programming service" has the same meaning as in KRS
23 136.602;
- 24 (10) "Industrial processing" has the same meaning as in KRS 139.010;
- 25 (11) "Manufacturing" has the same meaning as in KRS 139.010;
- 26 (12) "Plant facility" has the same meaning as in KRS 139.010;
- 27 (13) "Commercial mining of cryptocurrency" has the same meaning as in KRS 139.516;

1 and

2 (14) "Colocation facility" has the same meaning as in KRS 139.516.

3 ➔Section 44. KRS 139.538 is amended to read as follows:

4 (1) It is the intent and purpose of the General Assembly in enacting this section and
5 KRS 139.990(5), to encourage the motion picture industry to choose locations in
6 the Commonwealth for the filming or producing of motion pictures, by providing
7 an exemption from sales and use taxes. The exemption is accomplished by granting
8 a refundable credit for sales and use taxes paid on purchases made in connection
9 with the filming or producing of motion pictures in Kentucky.

10 (2) (a) On or after July 1, 2028~~[April 27, 2018, and until July 1, 2022]~~, the
11 department shall not accept any new applications as provided by subsection
12 (4) of this section.

13 (b) On or before November 1, 2026, and each November 1, thereafter as long as
14 this refundable credit is available~~[June 1, 2019]~~, the department shall report
15 to the Legislative Research Commission for referral ~~[provide the following~~
16 ~~information]~~ to the Interim Joint Committee on Appropriations and Revenue
17 for all fiscal years data is available:

- 18 1. The name and address of the motion picture company;
- 19 2. By county, the filming location or locations in this state;
- 20 3. A brief description of the production or productions;
- 21 4. The amount of sales and use tax refunded to the motion picture
22 company~~;~~~~and]~~
- 23 5. The total number of motion picture companies claiming the credit;
24 and
- 25 6. The total amount of all sales and use tax refunded to motion picture
26 production companies during each fiscal year reported.

27 (c) The information required to be reported under this section shall not be

1 *considered confidential taxpayer information and shall not be subject to*
2 *KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes*
3 *prohibiting disclosure or reporting of information.*

- 4 (3) As used in this section and KRS 139.990(5):
- 5 (a) "Financial institution" means any bank or savings and loan institution in the
6 Commonwealth which carries FDIC or FSLIC insurance;
- 7 (b) "Motion picture production company" means a company engaged in the
8 business of producing motion pictures intended for a theatrical release or for
9 exhibition on national television either by a network or for national
10 syndication, or television programs which will serve as a pilot for or a
11 segment of a nationally televised dramatic series, either by a network or for
12 national syndication; and
- 13 (c) "Secretary" means the secretary of the Kentucky Finance and Administration
14 Cabinet.
- 15 (4) Any motion picture production company that intends to film all or parts of a motion
16 picture in the Commonwealth and desires to receive the credit provided for in
17 subsection (7) of this section shall, prior to the commencement of filming:
- 18 (a) Provide the department with the address of a Kentucky location at which
19 records of expenditures qualifying for the tax credit will be maintained, and
20 with the name of the individual maintaining these records; and
- 21 (b) File an application for the tax credit within sixty (60) days after the
22 completion of filming or production in Kentucky. The application shall
23 include a final expenditure report providing documentation for expenditures
24 in accordance with administrative regulations promulgated by the department.
- 25 (5) To qualify as a basis for the financial incentive, expenditures must be made by
26 check drawn upon any Kentucky financial institution.
- 27 (6) The twelve (12) month period during which expenditures may qualify for the tax

- 1 credit shall begin on the date of the earliest expenditure reported.
- 2 (7) Any motion picture production company which films or produces one (1) or more
3 motion pictures in the Commonwealth during any twelve (12) month period shall,
4 upon making application therefor and meeting the other requirements prescribed in
5 this section, be entitled to a refundable tax credit equal to the amount of Kentucky
6 sales and use tax paid for purchases made in connection with the filming or
7 production of a motion picture.
- 8 (8) The department shall, within sixty (60) days following the receipt of an application
9 for a credit for sales and use tax paid, calculate the total expenditures of the motion
10 picture production company for which there is documentation for funds expended
11 in the Commonwealth, calculate the amount of credit to which the applicant is
12 entitled, and certify the amount of the credit to the secretary. In the case of an audit,
13 as provided for in subsection (13) of this section, the department shall certify the
14 amount of the credit due to the secretary within one hundred eighty (180) days
15 following the receipt of the motion picture production company's application.
- 16 (9) Upon receipt of the certification of the amount of credit from the department, the
17 secretary shall cause the refund of sales taxes paid to be remitted to the motion
18 picture production company. For purposes of payment and funding thereof, the
19 credit shall be paid in the same manner as other claims on the State Treasury are
20 paid. They shall not be charged against any appropriation but shall be deducted
21 from tax receipts for the current fiscal year.
- 22 (10) The sales and use taxes paid by the motion picture production company for which a
23 refundable tax credit is granted shall be deemed not to have been legally paid into
24 the State Treasury, and the refund of the credit shall not be in violation of Section
25 59 of the Kentucky Constitution.
- 26 (11) Any tax credit or part thereof paid to a motion picture production company as a
27 result of error by the department shall be repaid by such company to the secretary.

1 (12) Any tax credit or part thereof paid to a motion picture production company as a
2 result of error or fraudulent statements made by the motion picture production
3 company shall be repaid by such company to the secretary, together with interest, at
4 the tax interest rate provided for in KRS 131.010(6).

5 (13) The department may require that reported expenditures and the application for the
6 tax credit from a motion picture production company be subjected to an audit by the
7 department auditors to verify expenditures.

8 (14) For companies in the business of producing films or television shows other than
9 those which would qualify them for the credit under the definition of "motion
10 picture production company," the department may require separate accounting
11 records for the reporting of expenditures made in connection with the application
12 for a refundable tax credit.

13 (15) The department may promulgate appropriate administrative regulations to carry out
14 the intent and purposes of this section.

15 ➔Section 45. KRS 132.096 is amended to read as follows:

16 The following classes of property shall be exempt from state and local ad valorem taxes,
17 including the county, city, school, and other taxing district in which it has a taxable situs:

18 (1) Farm implements and farm machinery owned by or leased to a person actually
19 engaged in farming and used in his or her farm operations;

20 (2) Livestock, ratite birds, and domestic fowl;

21 (3) Tangible personal property located in a foreign trade zone established pursuant to
22 19 U.S.C. secs. 81a to 81u, provided that the zone is activated in accordance with
23 the regulations of the United States Customs Service and the Foreign Trade Zones
24 Board;

25 (4) Property that is certified as an alcohol production facility as defined in KRS
26 247.910;

27 (5) ~~Property that is certified as a fluidized bed energy production facility as defined in~~

1 ~~KRS 211.390;~~

2 ~~(6)~~—]Computer software, except prewritten computer software as defined in KRS
3 139.010;

4 ~~(6)~~~~(7)~~ Trucks, tractors, and buses used on routes or in systems that are partly within
5 and partly outside this state, and that are subject to the fee imposed by KRS
6 136.188;

7 ~~(7)~~~~(8)~~ Semitrailers and trailers, as defined in KRS 189.010, if the semitrailers or
8 trailers are used on a route or in a system that is partly within and partly outside this
9 state. Semitrailers or trailers required to be registered under KRS 186.655 that are
10 used only in this state shall be subject to the ad valorem tax imposed by KRS
11 132.487;

12 ~~(8)~~~~(9)~~ All intangible personal property, except intangible personal property assessed
13 under KRS 132.030 or KRS Chapter 136. Nothing in this subsection shall prohibit
14 local taxation of franchises of:

15 (a) Corporations;

16 (b) Financial institutions as provided in KRS 136.575; or

17 (c) Domestic life insurance companies;

18 ~~(9)~~~~(10)~~ All real and personal property owned by another state or a political
19 subdivision of another state that is used exclusively for public purposes, if a
20 comparable exemption is provided in that state or political subdivision for property
21 owned by the Commonwealth of Kentucky or its political subdivisions;

22 ~~(10)~~~~(11)~~ Every fraternal benefit society organized or licensed under Subtitle 29 of KRS
23 Chapter 304 that is a charitable and benevolent institution, and its funds shall be
24 exempt from all state, county, district, city, and school taxes, other than taxes on
25 real property and office equipment; and

26 ~~(11)~~~~(12)~~ (a) Any bridge built by an adjoining state, by the government of the United
27 States, or by any commission created by an Act of Congress, over a boundary

1 line stream between this state and an adjoining state, which is:

- 2 1. Not operated for profit and, if it connects with a primary highway of this
3 state, is declared to be public property used for public purposes; and
- 4 2. Exempt from taxation unless the adjoining state, or other public body
5 constructing the bridge, taxes similar bridges built by this
6 Commonwealth in like manner.

7 (b) The issuance of bonds for the purpose of amortizing the cost of construction
8 of the bridges, as described in paragraph (a) of this subsection, shall not affect
9 the tax exemption granted.

10 ➔Section 46. KRS 139.480 is amended to read as follows:

11 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at
12 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter,
13 ~~do~~shall not include the sale, use, storage, or other consumption of:

14 (1) Locomotives or rolling stock, including materials for the construction, repair, or
15 modification thereof, or fuel or supplies for the direct operation of locomotives and
16 trains, used or to be used in interstate commerce;

17 (2) Coal for the manufacture of electricity;

18 (3) (a) All energy or energy-producing fuels used in the course of manufacturing,
19 processing, mining, or refining and any related distribution, transmission, and
20 transportation services for this energy that are billed to the user, to the extent
21 that the cost of the energy or energy-producing fuels used, and related
22 distribution, transmission, and transportation services for this energy that are
23 billed to the user exceed three percent (3%) of the cost of production.

24 (b) Cost of production shall be computed on the basis of a plant facility, which
25 ~~includes~~shall include all operations within the continuous, unbroken,
26 integrated manufacturing or industrial processing process that ends with a
27 product packaged and ready for sale.

- 1 (c) A person who performs a manufacturing or industrial processing activity for a
2 fee and does not take ownership of the tangible personal property that is
3 incorporated into, or becomes the product of, the manufacturing or industrial
4 processing activity is a toller. For periods on or after July 1, 2018, the costs of
5 the tangible personal property shall be excluded from the toller's cost of
6 production at a plant facility with tolling operations in place as of July 1,
7 2018.
- 8 (d) For plant facilities that begin tolling operations after July 1, 2018, the costs of
9 tangible personal property shall be excluded from the toller's cost of
10 production if the toller:
- 11 1. Maintains a binding contract for periods after July 1, 2018, that governs
12 the terms, conditions, and responsibilities with a separate legal entity,
13 which holds title to the tangible personal property that is incorporated
14 into, or becomes the product of, the manufacturing or industrial
15 processing activity;
 - 16 2. Maintains accounting records that show the expenses it incurs to fulfill
17 the binding contract that include but are not limited to energy or energy-
18 producing fuels, materials, labor, procurement, depreciation,
19 maintenance, taxes, administration, and office expenses;
 - 20 3. Maintains separate payroll, bank accounts, tax returns, and other records
21 that demonstrate its independent operations in the performance of its
22 tolling responsibilities;
 - 23 4. Demonstrates one (1) or more substantial business purposes for the
24 tolling operations germane to the overall manufacturing, industrial
25 processing activities, or corporate structure at the plant facility. A
26 business purpose is a purpose other than the reduction of sales tax
27 liability for the purchases of energy and energy-producing fuels; and

- 1 5. Provides information to the department upon request that documents
2 fulfillment of the requirements in subparagraphs 1. to 4. of this
3 paragraph and gives an overview of its tolling operations with an
4 explanation of how the tolling operations relate and connect with all
5 other manufacturing or industrial processing activities occurring at the
6 plant facility;
- 7 (4) Livestock of a kind the products of which ordinarily constitute food for human
8 consumption, provided the sales are made for breeding or dairy purposes and by or
9 to a person regularly engaged in the business of farming;
- 10 (5) Poultry for use in breeding or egg production;
- 11 (6) Farm work stock for use in farming operations;
- 12 (7) Seeds, the products of which ordinarily constitute food for human consumption or
13 are to be sold in the regular course of business, and commercial fertilizer to be
14 applied on land, the products from which are to be used for food for human
15 consumption or are to be sold in the regular course of business; provided the sales
16 are made to farmers who are regularly engaged in the occupation of tilling and
17 cultivating the soil for the production of crops as a business, or who are regularly
18 engaged in the occupation of raising and feeding livestock or poultry or producing
19 milk for sale; and provided further that tangible personal property so sold is to be
20 used only by those persons designated above who are so purchasing;
- 21 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be
22 used in the production of crops as a business, or in the raising and feeding of
23 livestock or poultry, the products of which ordinarily constitute food for human
24 consumption;
- 25 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the
26 products of which ordinarily constitute food for human consumption;
- 27 (10) Machinery for new and expanded industry;

- 1 (11) Farm machinery. As used in this section, the term "farm machinery":
- 2 (a) Means machinery used exclusively and directly in the occupation of:
- 3 1. Tilling the soil for the production of crops as a business;
- 4 2. Raising and feeding livestock or poultry for sale; or
- 5 3. Producing milk for sale;
- 6 (b) Includes machinery, attachments, and replacements therefor, repair parts, and
- 7 replacement parts which are used or manufactured for use on, or in the
- 8 operation of farm machinery and which are necessary to the operation of the
- 9 machinery, and are customarily so used, including but not limited to combine
- 10 header wagons, combine header trailers, or any other implements specifically
- 11 designed and used to move or transport a combine head; and
- 12 (c) Does not include:
- 13 1. Automobiles;
- 14 2. Trucks;
- 15 3. Trailers, except combine header trailers; or
- 16 4. Truck-trailer combinations;
- 17 (12) Tombstones and other memorial grave markers;
- 18 (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing,
- 19 or handling. The exemption applies to the equipment, machinery, attachments,
- 20 repair and replacement parts, and any materials incorporated into the construction,
- 21 renovation, or repair of the facilities;
- 22 (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption
- 23 shall apply to the equipment, machinery, attachments, repair and replacement parts,
- 24 and any materials incorporated into the construction, renovation, or repair of the
- 25 facilities. The exemption shall apply but not be limited to vent board equipment,
- 26 waterer and feeding systems, brooding systems, ventilation systems, alarm systems,
- 27 and curtain systems. In addition, the exemption shall apply whether or not the seller

- 1 is under contract to deliver, assemble, and incorporate into real estate the
2 equipment, machinery, attachments, repair and replacement parts, and any materials
3 incorporated into the construction, renovation, or repair of the facilities;
- 4 (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively
5 and directly to:
- 6 (a) Operate farm machinery as defined in subsection (11) of this section;
 - 7 (b) Operate on-farm grain or soybean drying facilities as defined in subsection
8 (13) of this section;
 - 9 (c) Operate on-farm poultry or livestock facilities defined in subsection (14) of
10 this section;
 - 11 (d) Operate on-farm ratite facilities defined in subsection (23) of this section;
 - 12 (e) Operate on-farm llama or alpaca facilities as defined in subsection (25) of this
13 section; or
 - 14 (f) Operate on-farm dairy facilities;
- 15 (16) Textbooks, including related workbooks and other course materials, purchased for
16 use in a course of study conducted by an institution which qualifies as a nonprofit
17 educational institution under KRS 139.495. The term "course materials" means only
18 those items specifically required of all students for a particular course but
19 ~~does~~shall not include notebooks, paper, pencils, calculators, tape recorders, or
20 similar student aids;
- 21 (17) Any property which has been certified as an alcohol production facility as defined
22 in KRS 247.910;
- 23 (18) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the
24 direct operation of aircraft in interstate commerce and used exclusively for the
25 conveyance of property or passengers for hire. Nominal intrastate use shall not
26 subject the property to the taxes imposed by this chapter;
- 27 (19) ~~Any property which has been certified as a fluidized bed energy production facility~~

1 as defined in ~~KRS 211.390~~;

2 ~~(20)~~ (a) 1. Any property to be incorporated into the construction, rebuilding,
3 modification, or expansion of a blast furnace or any of its components or
4 appurtenant equipment or structures as part of an approved supplemental
5 project, as defined ~~in~~by KRS 154.26-010; and

6 2. Materials, supplies, and repair or replacement parts purchased for use in
7 the operation and maintenance of a blast furnace and related carbon
8 steel-making operations as part of an approved supplemental project, as
9 defined ~~in~~by KRS 154.26-010.

10 (b) The exemptions provided in this subsection shall be effective for sales made:

11 1. On and after July 1, 2018; and

12 2. During the term of a supplemental project agreement entered into
13 pursuant to KRS 154.26-090;

14 ~~(20)~~(21) Beginning on October 1, 1986, food or food products purchased for human
15 consumption with food coupons issued by the United States Department of
16 Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to
17 be exempted by the Food Security Act of 1985 in order for the Commonwealth to
18 continue participation in the federal food stamp program;

19 ~~(21)~~(22) Machinery or equipment purchased or leased by a business, industry, or
20 organization in order to collect, source separate, compress, bale, shred, or otherwise
21 handle waste materials if the machinery or equipment is primarily used for
22 recycling purposes;

23 ~~(22)~~(23) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and
24 production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-
25 products, and the following items used in this agricultural pursuit:

26 (a) Feed and feed additives;

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

1 and

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

11 ~~(23)~~~~(24)~~ Embryos and semen that are used in the reproduction of livestock, if the
12 products of these embryos and semen ordinarily constitute food for human
13 consumption, and if the sale is made to a person engaged in the business of farming;

14 ~~(24)~~~~(25)~~ Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit
15 for the breeding and production of hides, breeding stock, fiber and wool products,
16 meat, and llama and alpaca by-products, and the following items used in this
17 pursuit:

18 (a) Feed and feed additives;

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

20 and

21 (c) 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. The exemption shall apply to waterer
24 and feeding systems, ventilation systems, and alarm systems. In addition, the
25 exemption shall apply whether or not the seller is under contract to deliver,
26 assemble, and incorporate into real estate the equipment, machinery,
27 attachments, repair and replacement parts, and any materials incorporated into

- 1 the construction, renovation, or repair of the facilities;
- 2 ~~(25)~~~~(26)~~ Baling twine and baling wire for the baling of hay and straw;
- 3 ~~(26)~~~~(27)~~ Water sold to a person regularly engaged in the business of farming and used
- 4 in the:
- 5 (a) Production of crops;
- 6 (b) Production of milk for sale; or
- 7 (c) Raising and feeding of:
- 8 1. Livestock or poultry, the products of which ordinarily constitute food
- 9 for human consumption; or
- 10 2. Ratites, llamas, alpacas, buffaloes~~buffalo~~, cervids or aquatic
- 11 organisms;
- 12 ~~(27)~~~~(28)~~ Buffaloes~~Buffaloes~~ to be used as beasts of burden or in an agricultural
- 13 pursuit for the production of hides, breeding stock, meat, and buffalo by-products,
- 14 and the following items used in this pursuit:
- 15 (a) Feed and feed additives;
- 16 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 17 and
- 18 (c) On-farm facilities, including equipment, machinery, attachments, repair and
- 19 replacement parts, and any materials incorporated into the construction,
- 20 renovation, or repair of the facilities. The exemption shall apply to waterer
- 21 and feeding systems, ventilation systems, and alarm systems. In addition, the
- 22 exemption shall apply whether or not the seller is under contract to deliver,
- 23 assemble, and incorporate into real estate the equipment, machinery,
- 24 attachments, repair and replacement parts, and any materials incorporated into
- 25 the construction, renovation, or repair of the facilities;
- 26 ~~(28)~~~~(29)~~ Aquatic organisms sold directly to or raised by a person regularly engaged in
- 27 the business of producing products of aquaculture, as defined in KRS 260.960, for

1 sale, and the following items used in this pursuit:

2 (a) Feed and feed additives;

3 (b) Water;

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

6 (d) 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 and, any gasoline, special fuels, liquefied
9 petroleum gas, or natural gas used to operate the facilities. The exemption
10 shall apply, but not be limited to: waterer and feeding systems; ventilation,
11 aeration, and heating systems; processing and storage systems; production
12 systems such as ponds, tanks, and raceways; harvest and transport equipment
13 and systems; and alarm systems. 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 ~~(29)~~⁽³⁰⁾ Members of the genus cervidae permitted by KRS Chapter 150 that are used
19 for the production of hides, breeding stock, meat, and cervid by-products, and the
20 following items used in this pursuit:

21 (a) Feed and feed additives;

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

23 (c) On-site facilities, including equipment, machinery, attachments, repair and
24 replacement parts, and any materials incorporated into the construction,
25 renovation, or repair of the facilities. In addition, the exemption shall apply
26 whether or not the seller is under contract to deliver, assemble, and
27 incorporate into real estate the equipment, machinery, attachments, repair and

1 replacement parts, and any materials incorporated into the construction,
2 renovation, or repair of the facilities;

3 ~~(30)~~~~(31)~~ (a) Repair or replacement parts for the direct operation or maintenance of a
4 motor vehicle, including any towed unit, used exclusively in interstate
5 commerce for the conveyance of property or passengers for hire, provided the
6 motor vehicle is licensed for use on the highway and its declared gross vehicle
7 weight with any towed unit is forty-four thousand and one (44,001) pounds or
8 greater. Nominal intrastate use shall not subject the property to the taxes
9 imposed by this chapter; and

10 (b) Repair or replacement parts for the direct operation and maintenance of a
11 motor vehicle operating under a charter bus certificate issued by the
12 Transportation Cabinet under KRS Chapter 281, or under similar authority
13 granted by the United States Department of Transportation.

14 (c) For the purposes of this subsection, "repair or replacement parts" means tires,
15 brakes, engines, transmissions, drive trains, chassis, body parts, and their
16 components. "Repair or replacement parts" ~~does~~~~shall~~ not include fuel,
17 machine oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not
18 essential to the operation of the motor vehicle itself, except when sold as part
19 of the assembled unit, such as cigarette lighters, radios, lighting fixtures not
20 otherwise required by the manufacturer for operation of the vehicle, or tool or
21 utility boxes;

22 ~~(31)~~~~(32)~~ Food donated by a retail food establishment or any other entity regulated
23 under KRS 217.127 to a nonprofit organization for distribution to the needy;

24 ~~(32)~~~~(33)~~ Drugs and over-the-counter drugs, as defined in KRS 139.472, that are
25 purchased by a person regularly engaged in the business of farming and used in the
26 treatment of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas,
27 ~~buffaloes~~~~buffalo~~, aquatic organisms, or cervids;

- 1 ~~(33)~~~~(34)~~ (a) Building materials, fixtures, or supplies purchased by a construction
2 contractor if:
- 3 1. Fulfilled by a construction contract for a sewer or water project with:
 - 4 a. A municipally owned water utility organized under KRS Chapter
5 96;
 - 6 b. A water district or water commission formed or organized under
7 KRS Chapter 74;
 - 8 c. A sanitation district established under KRS Chapter 220 or formed
9 pursuant to KRS Chapter 65;
 - 10 d. A nonprofit corporation created under KRS 58.180 to act on behalf
11 of a governmental agency in the acquisition and financing of
12 public projects;
 - 13 e. Regional wastewater commissions formed under KRS Chapter
14 278;
 - 15 f. A municipally owned joint sewer agency formed under KRS
16 Chapter 76; or
 - 17 g. Any other governmental agency; and
 - 18 2. The building materials, fixtures, or supplies:
 - 19 a. Will be permanently incorporated into a structure or improvement
20 to real property, or will be completely consumed, in fulfilling a
21 construction contract for the purpose of furnishing water or sewer
22 services to the general public; and
 - 23 b. Would be exempt if purchased directly by the entities listed in
24 subparagraph 1. of this paragraph.
- 25 (b) As used in this subsection, "construction contract" means a:
- 26 1. Lump sum contract;
 - 27 2. Cost plus contract;

- 1 3. Materials only contract;
- 2 4. Labor and materials contract; or
- 3 5. Any other type of contract.

4 (c) The exemption provided in this subsection shall apply without regard to the
5 payment arrangement between the construction contractor, the retailer, and
6 the entities listed in paragraph (a)1. of this subsection or to the place of
7 delivery for the building materials, fixtures, or supplies;

8 ~~(34)~~~~(35)~~ (a) On or after February 25, 2022, the rental of space for meetings,
9 conventions, short-term business uses, entertainment events, weddings,
10 banquets, parties, and other short-term social events, as referenced in KRS
11 139.200, if the tax established in KRS 139.200 is paid by the primary lessee to
12 the lessor.

13 (b) For the purpose of this subsection, "primary lessee" means the person who
14 leases the space and who has a contract with the lessor of the space only if:

- 15 1. The contract between the lessor and the lessee specifies that the lessee
16 may sublease, subrent, or otherwise sell the space; and
- 17 2. The space is then sublet, subrented, or otherwise sold to exhibitors,
18 vendors, sponsors, or other entities and persons who will use the space
19 associated with the event to be conducted under the primary lease;

20 ~~(35)~~~~(36)~~ Prewritten computer software access services sold to or purchased by a
21 retailer that develops prewritten computer software for print technology and uses
22 and sells prewritten computer software access services for print technology;

23 ~~(36)~~~~(37)~~ (a) Currency or bullion.

24 (b) As used in this subsection:

- 25 1. "Bullion":
 - 26 a. Means bars, ingots, or coins, which are:
 - 27 i. Made of gold, silver, platinum, palladium, or a combination

- 1 of these metals;
- 2 ii. Valued based on the content of the metal and not its form;
- 3 and
- 4 iii. Used, or have been used, as a medium of exchange, security,
- 5 or commodity by any state, the United States government, or
- 6 a foreign nation; and
- 7 b. Does not include medallions or coins that are incorporated into a
- 8 pendant or other jewelry; and
- 9 2. "Currency":
- 10 a. Means a coin or currency made of gold, silver, platinum,
- 11 palladium, or other metal or paper money that is or has been used
- 12 as legal tender and is sold based on its value as a collectible item
- 13 rather than the value as a medium of exchange; and
- 14 b. Does not include a coin or currency that has been incorporated into
- 15 jewelry; and

16 ~~(37)~~~~(38)~~ Medicinal cannabis as defined in KRS 218B.010 when sold, used, stored, or

17 consumed in accordance with KRS Chapter 218B.

18 ➔Section 47. KRS 139.4802 is amended to read as follows:

- 19 (1) (a) On or after March 27, 2025, a violation shall occur when an official notice
- 20 published by the secretary of the Finance and Administration Cabinet or the
- 21 commissioner of the department instructs that taxpayers should continue to
- 22 collect and remit sales and use tax on the sale, use, storage, or other
- 23 consumption of currency or bullion currency under this chapter.
- 24 (b) Any notice or instruction, published at any time, that states that on or after
- 25 August 1, 2024, the sale, use, storage, or other consumption of currency or
- 26 bullion currency under this chapter is taxable is void and unenforceable.
- 27 (2) Notwithstanding KRS 49.220 and 139.770, on and after August 1, 2024, any person

1 who paid sales tax under KRS 139.200 or use tax under KRS 139.310 on currency
2 or bullion currency that is exempt from sales and use tax under KRS 139.480
3 ~~(36)~~~~(37)~~ may maintain an action for a refund of the tax paid, as an individual or
4 by seeking certification as a class under Rule 23 of the Kentucky Rules of Civil
5 Procedure, for a refund on behalf of the person and other persons similarly situated
6 against the Commonwealth.

7 (3) An action for a refund pursuant to subsection (2) of this section, or alleging a
8 violation under subsection (1) of this section, may be brought in the Circuit Court
9 of any county where the named plaintiff resides or where the currency or bullion
10 currency transaction took place.

11 (4) In addition to a refund of the sales or use tax, persons seeking a refund pursuant to
12 subsection (2) of this section or alleging a violation under subsection (1) of this
13 section who prevail shall be entitled to:

14 (a) Prejudgment and post-judgment interest;

15 (b) Temporary or permanent injunctive relief;

16 (c) Reasonable attorney's fees and costs; and

17 (d) For allegations of a violation under subsection (1) of this section, liquidated
18 damages of one thousand dollars (\$1,000) for each day that the violation
19 occurred, which shall be paid from the administrative budget of the Finance
20 and Administration Cabinet, the department, or the Office of the Governor.

21 (5) It is the intent of the General Assembly to waive sovereign, governmental, and
22 qualified immunity for claims under this section, including immunity afforded to
23 the Commonwealth pursuant to the Eleventh Amendment to the Constitution of the
24 United States.

25 (6) Any person who directs, instructs, or causes a violation of any provision of this
26 section shall be personally, jointly, and severally liable for any awarded damages.

27 ➔Section 48. KRS 139.481 is amended to read as follows:

- 1 (1) On and after January 1, 2023, every person claiming an exemption provided under
2 KRS 139.480(4) to (9), (11), (13) to (15), (22) to (29), and (32)~~[(23) to (30), and~~
3 ~~(33)]~~ shall provide to the seller or retailer a valid agriculture exemption license
4 number issued by the department.
- 5 (2) A person is eligible to apply for an agriculture exemption license number if the
6 person is:
- 7 (a) Regularly engaged in the occupation of tilling and cultivating the soil for the
8 production of crops as a business;
- 9 (b) Regularly engaged in the occupation of raising and feeding livestock of a kind
10 the products of which ordinarily constitute food for human consumption;
- 11 (c) Raising and feeding poultry;
- 12 (d) Producing milk for sale; or
- 13 (e) Regularly engaged in raising ratite birds, llamas, alpacas, buffaloes~~[buffalos]~~,
14 cervids, or aquatic organisms as an agricultural pursuit.
- 15 (3) (a) On and after January 1, 2023, persons that receive an agriculture exemption
16 license number and choose to claim the exemptions outlined in subsection (1)
17 of this section shall, at least one (1) time, provide the seller or retailer from
18 whom they purchase exempt tangible personal property with one (1) of the
19 following:
- 20 1. The agriculture exemption license number issued by the department; or
21 2. A fully completed Streamlined Sales Tax Certificate of Exemption
22 which shall include the agriculture exemption license number.
- 23 (b) A purchaser that has met the requirements of paragraph (a) of this subsection
24 may issue the agriculture exemption license number to the seller or retailer for
25 subsequent purchases as evidence of an exempt purchase for as long as the
26 agriculture exemption license number is valid.
- 27 (c) Persons that meet the requirements of subsection (2) of this section but have

1 not yet received an agriculture exemption license number from the department
2 prior to January 1, 2023, may issue a fully completed exemption certificate or
3 a fully completed Streamlined Sales Tax Certificate of Exemption without the
4 agriculture exemption license number prior to January 1, 2023.

5 (4) (a) The department, by administrative regulation, shall develop an application
6 form for the agriculture exemption license number and procedures by which
7 the application form may also be submitted either electronically or by paper
8 filing.

9 (b) The application shall include:

- 10 1. The person's name and mailing address;
- 11 2. The farm address, if different from the person's mailing address;
- 12 3. An affirmation that the person meets at least one (1) of the criteria
13 outlined in subsection (2) of this section;
- 14 4. The person's driver's license number; and
- 15 5. One (1) of the following forms of documentation:
 - 16 a. IRS Schedule F, Profit or Loss from Farming;
 - 17 b. IRS Form 4835, Farm Rental Income and Expenses;
 - 18 c. The farm service agency number or numbers assigned by the
19 United States Department of Agriculture pertaining to the parcels
20 of land on which agriculture activity will take place; or
 - 21 d. Any other type of information that may establish to the satisfaction
22 of the Commissioner that the applicant qualifies for the agriculture
23 exemption license number.

24 (5) (a) The agriculture exemption license number shall expire:

- 25 1. On December 31, 2026, and every four (4) years thereafter; ~~1, 1~~ or
- 26 2. When the person ceases to engage in the agriculture activity for which
27 the agriculture exemption license number was granted; ~~1, 1~~

1 whichever comes first.

2 (b) *The department shall extend the initial expiration date for a period not to*
3 *exceed six (6) months.*

4 (c) When a person ceases to engage in the agriculture activity for which the
5 license number was granted, the person shall notify the department within
6 sixty (60) days.

7 ~~(d)~~(e) The person may apply for a renewal of the agriculture exemption license
8 number prior to the expiration date if the person continues to meet the
9 requirements of subsection (2) of this section and provides documentation
10 required by subsection (4)(b)5. of this section. The department shall, by
11 administrative regulation, prescribe the electronic process for renewing an
12 agriculture exemption license number.

13 (6) (a) On or before January 1, 2023, the department shall develop and provide an
14 online searchable database on the department's website that the seller or
15 retailer may use to confirm the agriculture exemption license number if the
16 purchaser cannot produce documentation of the agriculture exemption license
17 number at the time of sale.

18 (b) To search the database, the seller or retailer shall provide the name of the
19 person assigned the agriculture exemption license number and one (1) of the
20 following:

- 21 1. The agriculture exemption license number;
- 22 2. The agriculture exemption license number expiration date;
- 23 3. The person's driver's license number;
- 24 4. The farm service agency parcel number; or
- 25 5. Any other unique identifier that may be accepted by the department.

26 (c) The seller or retailer shall be relieved of the liability for collecting and
27 remitting the sales and use tax if the seller or retailer meets the requirements

1 of KRS 139.260 and 139.270.

2 ➔Section 49. KRS 141.0401 is amended to read as follows:

3 (1) As used in this section:

4 (a) "Kentucky gross receipts" means an amount equal to the computation of the
5 numerator of the apportionment fraction under KRS 141.120, any
6 administrative regulations related to the computation of the sales factor, and
7 KRS 141.121 and includes the proportionate share of Kentucky gross receipts
8 of all wholly or partially owned limited liability pass-through entities,
9 including all layers of a multi-layered pass-through structure;

10 (b) "Gross receipts from all sources" means an amount equal to the computation
11 of the denominator of the apportionment fraction under KRS 141.120, any
12 administrative regulations related to the computation of the sales factor, and
13 KRS 141.121 and includes the proportionate share of gross receipts from all
14 sources of all wholly or partially owned limited liability pass-through entities,
15 including all layers of a multi-layered pass-through structure;

16 (c) "Affiliated group" has the same meaning as in KRS 141.201;

17 (d) "Cost of goods sold" means:

18 1. Amounts that are:

19 a. Allowable as cost of goods sold pursuant to the Internal Revenue
20 Code and any guidelines issued by the Internal Revenue Service
21 relating to cost of goods sold, unless modified by this paragraph;
22 and

23 b. Incurred in acquiring or producing the tangible product generating
24 the Kentucky gross receipts.

25 2. For manufacturing, producing, reselling, retailing, or wholesaling
26 activities, cost of goods sold shall only include costs directly incurred in
27 acquiring or producing the tangible product. In determining cost of

1 goods sold:

2 a. Labor costs shall be limited to direct labor costs as defined in
3 paragraph (f) of this subsection;

4 b. Bulk delivery costs as defined in paragraph (g) of this subsection
5 may be included; and

6 c. Costs allowable under Section 263A of the Internal Revenue Code
7 may be included only to the extent the costs are incurred in
8 acquiring or producing the tangible product generating the
9 Kentucky gross receipts. Notwithstanding the foregoing, indirect
10 labor costs allowable under Section 263A shall not be included;

11 3. For any activity other than manufacturing, producing, reselling,
12 retailing, or wholesaling, no costs shall be included in cost of goods
13 sold.

14 As used in this paragraph, "guidelines issued by the Internal Revenue Service"
15 includes regulations, private letter rulings, or any other guidance issued by the
16 Internal Revenue Service that may be relied upon by taxpayers under reliance
17 standards established by the Internal Revenue Service;

18 (e) 1. "Kentucky gross profits" means Kentucky gross receipts reduced by
19 returns and allowances attributable to Kentucky gross receipts, less the
20 cost of goods sold attributable to Kentucky gross receipts. If the amount
21 of returns and allowances attributable to Kentucky gross receipts and the
22 cost of goods sold attributable to Kentucky gross receipts is zero, then
23 "Kentucky gross profits" means Kentucky gross receipts; and

24 2. "Gross profits from all sources" means gross receipts from all sources
25 reduced by returns and allowances attributable to gross receipts from all
26 sources, less the cost of goods sold attributable to gross receipts from all
27 sources. If the amount of returns and allowances attributable to gross

- 1 receipts from all sources and the cost of goods sold attributable to gross
2 receipts from all sources is zero, then gross profits from all sources
3 means gross receipts from all sources;
- 4 (f) "Direct labor" means labor that is incorporated into the tangible product sold
5 or is an integral part of the manufacturing process;
- 6 (g) "Bulk delivery costs" means the cost of delivering the product to the
7 consumer if:
- 8 1. The tangible product is delivered in bulk and requires specialized
9 equipment that generally precludes commercial shipping; and
10 2. The tangible product is taxable under KRS 138.220;
- 11 (h) "Manufacturing" and "producing" means:
- 12 1. Manufacturing, producing, constructing, or assembling components to
13 produce a significantly different or enhanced end tangible product;
14 2. Mining or severing natural resources from the earth; or
15 3. Growing or raising agricultural or horticultural products or animals;
- 16 (i) "Real property" means land and anything growing on, attached to, or erected
17 on it, excluding anything that may be severed without injury to the land;
- 18 (j) "Reselling," "retailing," and "wholesaling" mean the sale of a tangible
19 product;
- 20 (k) "Tangible personal property" means property, other than real property, that
21 has physical form and characteristics; and
- 22 (l) "Tangible product" means real property and tangible personal property;
- 23 (2) (a) For taxable years beginning on or after January 1, 2007, an annual limited
24 liability entity tax shall be paid by every corporation and every limited
25 liability pass-through entity doing business in Kentucky on all Kentucky gross
26 receipts or Kentucky gross profits except as provided in this subsection. A
27 small business exclusion from this tax shall be provided based on the

1 reduction contained in this subsection. The tax shall be the greater of the
2 amount computed under paragraph (b) of this subsection or one hundred
3 seventy-five dollars (\$175), regardless of the application of any tax credits
4 provided under this chapter or any other provisions of the Kentucky Revised
5 Statutes for which the business entity may qualify.

6 (b) The limited liability entity tax shall be the lesser of subparagraph 1. or 2. of
7 this paragraph:

8 1. a. If the corporation's or limited liability pass-through entity's gross
9 receipts from all sources are three million dollars (\$3,000,000) or
10 less, the limited liability entity tax shall be one hundred seventy-
11 five dollars (\$175);

12 b. If the corporation's or limited liability pass-through entity's gross
13 receipts from all sources are greater than three million dollars
14 (\$3,000,000) but less than six million dollars (\$6,000,000), the
15 limited liability entity tax shall be nine and one-half cents (\$0.095)
16 per one hundred dollars (\$100) of the corporation's or limited
17 liability pass-through entity's Kentucky gross receipts reduced by
18 an amount equal to two thousand eight hundred fifty dollars
19 (\$2,850) multiplied by a fraction, the numerator of which is six
20 million dollars (\$6,000,000) less the amount of the corporation's or
21 limited liability pass-through entity's Kentucky gross receipts for
22 the taxable year, and the denominator of which is three million
23 dollars (\$3,000,000), but in no case shall the result be less than one
24 hundred seventy-five dollars (\$175);

25 c. If the corporation's or limited liability pass-through entity's gross
26 receipts from all sources are equal to or greater than six million
27 dollars (\$6,000,000), the limited liability entity tax shall be nine

1 and one-half cents (\$0.095) per one hundred dollars (\$100) of the
2 corporation's or limited liability pass-through entity's Kentucky
3 gross receipts.

- 4 2. a. If the corporation's or limited liability pass-through entity's gross
5 profits from all sources are three million dollars (\$3,000,000) or
6 less, the limited liability entity tax shall be one hundred seventy-
7 five dollars (\$175);
- 8 b. If the corporation's or limited liability pass-through entity's gross
9 profits from all sources are at least three million dollars
10 (\$3,000,000) but less than six million dollars (\$6,000,000), the
11 limited liability entity tax shall be seventy-five cents (\$0.75) per
12 one hundred dollars (\$100) of the corporation's or limited liability
13 pass-through entity's Kentucky gross profits, reduced by an
14 amount equal to twenty-two thousand five hundred dollars
15 (\$22,500) multiplied by a fraction, the numerator of which is six
16 million dollars (\$6,000,000) less the amount of the corporation's or
17 limited liability pass-through entity's Kentucky gross profits, and
18 the denominator of which is three million dollars (\$3,000,000), but
19 in no case shall the result be less than one hundred seventy-five
20 dollars (\$175);
- 21 c. If the corporation's or limited liability pass-through entity's gross
22 profits from all sources are equal to or greater than six million
23 dollars (\$6,000,000), the limited liability entity tax shall be
24 seventy-five cents (\$0.75) per one hundred dollars (\$100) of all of
25 the corporation's or limited liability pass-through entity's Kentucky
26 gross profits.

27 In determining eligibility for the reductions contained in this paragraph, a

1 member of an affiliated group shall consider the total gross receipts and the
2 total gross profits from all sources of the entire affiliated group, including
3 eliminating entries for transactions among the group.

4 (c) A credit shall be allowed against the tax imposed under paragraph (a) of this
5 subsection for the current year to a corporation or limited liability pass-
6 through entity that owns an interest in a limited liability pass-through entity.
7 The credit shall be the proportionate share of tax calculated under this
8 subsection by the lower-level pass-through entity, as determined after the
9 amount of tax calculated by the pass-through entity has been reduced by the
10 minimum tax of one hundred seventy-five dollars (\$175). The credit shall
11 apply across multiple layers of a multi-layered pass-through entity structure.
12 The credit at each layer shall include the credit from each lower layer, after
13 reduction for the minimum tax of one hundred seventy-five dollars (\$175) at
14 each layer.

15 (d) The department may promulgate administrative regulations to establish a
16 method for calculating the cost of goods sold attributable to Kentucky.

17 (3) A nonrefundable credit based on the tax calculated under subsection (2) of this
18 section shall be allowed against the tax imposed by KRS 141.020 or 141.040. The
19 credit amount shall be determined as follows:

20 (a) The credit allowed a corporation subject to the tax imposed by KRS 141.040
21 shall be equal to the amount of tax calculated under subsection (2) of this
22 section for the current year after subtraction of any credits identified in KRS
23 141.0205, reduced by the minimum tax of one hundred seventy-five dollars
24 (\$175), plus any credit determined in paragraph (b) of this subsection for tax
25 paid by wholly or partially owned limited liability pass-through entities. The
26 amount of credit allowed to a corporation based on the amount of tax paid
27 under subsection (2) of this section for the current year shall be applied to the

1 income tax due from the corporation's activities in this state. Any remaining
2 credit from the corporation shall be disallowed.

3 (b) The credit allowed members, shareholders, or partners of a limited liability
4 pass-through entity shall be the members', shareholders', or partners'
5 proportionate share of the tax calculated under subsection (2) of this section
6 for the current year after subtraction of any credits identified in KRS
7 141.0205, as determined after the amount of tax paid has been reduced by the
8 minimum tax of one hundred seventy-five dollars (\$175). The credit allowed
9 to members, shareholders, or partners of a limited liability pass-through entity
10 shall be applied to income tax assessed on income from the limited liability
11 pass-through entity. Any remaining credit from the limited liability pass-
12 through entity shall be disallowed.

13 (4) Each taxpayer subject to the tax imposed in this section shall file a return, on forms
14 prepared by the department, on or before the fifteenth day of the fourth month
15 following the close of the taxpayer's taxable year. Any tax remaining due after
16 making the payments required in KRS 141.044 shall be paid by the original due
17 date of the return.

18 (5) The department shall prescribe forms and promulgate administrative regulations as
19 needed to administer the provisions of this section.

20 (6) The tax imposed by subsection (2) of this section shall not apply to:

21 (a) For taxable years beginning prior to January 1, 2021:

- 22 1. Financial institutions, as defined in KRS 136.500, except banker's banks
23 organized under KRS 287.135 or 286.3-135;
- 24 2. Savings and loan associations organized under the laws of this state and
25 under the laws of the United States and making loans to members only;
- 26 3. Banks for cooperatives;
- 27 4. Production credit associations;

- 1 5. Insurance companies, including farmers' or other mutual hail, cyclone,
2 windstorm, or fire insurance companies, insurers, and reciprocal
3 underwriters;
- 4 6. Corporations or other entities exempt under Section 501 of the Internal
5 Revenue Code;
- 6 7. Religious, educational, charitable, or like corporations not organized or
7 conducted for pecuniary profit;
- 8 8. Corporations whose only owned or leased property located in this state
9 is located at the premises of a printer with which it has contracted for
10 printing, provided that:
 - 11 a. The property consists of the final printed product, or copy from
12 which the printed product is produced; and
 - 13 b. The corporation has no individuals receiving compensation in this
14 state as provided in KRS 141.901;
- 15 9. Public service corporations subject to tax under KRS 136.120;
- 16 10. Open-end registered investment companies organized under the laws of
17 this state and registered under the Investment Company Act of 1940;
- 18 11. Any property or facility~~[which has been]~~ certified **by the department** as
19 a fluidized bed energy production facility **on or before January 1,**
20 **2021**~~[as defined in KRS 211.390]~~;
- 21 12. An alcohol production facility as defined in KRS 247.910;
- 22 13. Real estate investment trusts as defined in Section 856 of the Internal
23 Revenue Code;
- 24 14. Regulated investment companies as defined in Section 851 of the
25 Internal Revenue Code;
- 26 15. Real estate mortgage investment conduits as defined in Section 860D of
27 the Internal Revenue Code;

- 1 16. Personal service corporations as defined in Section 269A(b)(1) of the
2 Internal Revenue Code;
- 3 17. Cooperatives described in Sections 521 and 1381 of the Internal
4 Revenue Code, including farmers' agricultural and other cooperatives
5 organized or recognized under KRS Chapter 272, advertising
6 cooperatives, purchasing cooperatives, homeowners associations
7 including those described in Section 528 of the Internal Revenue Code,
8 political organizations as defined in Section 527 of the Internal Revenue
9 Code, and rural electric and rural telephone cooperatives; or
- 10 18. Publicly traded partnerships as defined by Section 7704(b) of the
11 Internal Revenue Code that are treated as partnerships for federal tax
12 purposes under Section 7704(c) of the Internal Revenue Code, or their
13 publicly traded partnership affiliates. "Publicly traded partnership
14 affiliates" shall include any limited liability company or limited
15 partnership for which at least eighty percent (80%) of the limited
16 liability company member interests or limited partner interests are
17 owned directly or indirectly by the publicly traded partnership; and
- 18 (b) For taxable years beginning on or after January 1, 2021:
- 19 1. Insurance companies, including farmers' or other mutual hail, cyclone,
20 windstorm, or fire insurance companies, insurers, and reciprocal
21 underwriters;
- 22 2. Corporations or other entities exempt under Section 501 of the Internal
23 Revenue Code;
- 24 3. Religious, educational, charitable, or like corporations not organized or
25 conducted for pecuniary profit;
- 26 4. Corporations whose only owned or leased property located in this state
27 is located at the premises of a printer with which it has contracted for

1 printing, provided that:

2 a. The property consists of the final printed product, or copy from
3 which the printed product is produced; and

4 b. The corporation has no individuals receiving compensation in this
5 state as provided in KRS 141.901;

6 5. Public service corporations subject to tax under KRS 136.120;

7 6. Open-end registered investment companies organized under the laws of
8 this state and registered under the Investment Company Act of 1940;

9 7. ~~[Any property or facility which has been certified as a fluidized bed
10 energy production facility as defined in KRS 211.390;~~

11 8. ~~]~~An alcohol production facility as defined in KRS 247.910;

12 8.~~[9.]~~ Real estate investment trusts as defined in Section 856 of the Internal
13 Revenue Code;

14 9.~~[10.]~~ Regulated investment companies as defined in Section 851 of the
15 Internal Revenue Code;

16 10.~~[11.]~~ Real estate mortgage investment conduits as defined in Section
17 860D of the Internal Revenue Code;

18 11.~~[12.]~~ Personal service corporations as defined in Section 269A(b)(1) of
19 the Internal Revenue Code;

20 12.~~[13.]~~ Cooperatives described in Sections 521 and 1381 of the Internal
21 Revenue Code, including farmers' agricultural and other cooperatives
22 organized or recognized under KRS Chapter 272, advertising
23 cooperatives, purchasing cooperatives, homeowners associations
24 including those described in Section 528 of the Internal Revenue Code,
25 political organizations as defined in Section 527 of the Internal Revenue
26 Code, and rural electric and rural telephone cooperatives; or

27 13.~~[14.]~~ Publicly traded partnerships as defined by Section 7704(b) of the

1 Internal Revenue Code that are treated as partnerships for federal tax
2 purposes under Section 7704(c) of the Internal Revenue Code, or their
3 publicly traded partnership affiliates. "Publicly traded partnership
4 affiliates" shall include any limited liability company or limited
5 partnership for which at least eighty percent (80%) of the limited
6 liability company member interests or limited partner interests are
7 owned directly or indirectly by the publicly traded partnership.

8 (7) (a) As used in this subsection, "qualified exempt organization" means an entity
9 listed in subsection (6)(a) and (b) of this section and shall not include any
10 entity whose exempt status has been disallowed by the Internal Revenue
11 Service.

12 (b) Notwithstanding any other provisions of this section, any limited liability
13 pass-through entity that is owned in whole or in part by a qualified exempt
14 organization shall, in calculating its Kentucky gross receipts or Kentucky
15 gross profits, exclude the proportionate share of its Kentucky gross receipts or
16 Kentucky gross profits attributable to the ownership interest of the qualified
17 exempt organization.

18 (c) Any limited liability pass-through entity that reduces Kentucky gross receipts
19 or Kentucky gross profits in accordance with paragraph (b) of this subsection
20 shall disregard the ownership interest of the qualified exempt organization in
21 determining the amount of credit available under subsection (3) of this
22 section.

23 (d) The Department of Revenue may promulgate an administrative regulation to
24 further define "qualified exempt organization" to include an entity for which
25 exemption is constitutionally or legally required, or to exclude any entity
26 created primarily for tax avoidance purposes with no legitimate business
27 purpose.

1 (8) The credit permitted by subsection (3) of this section shall flow through multiple
2 layers of limited liability pass-through entities and shall be claimed by the taxpayer
3 who ultimately pays the tax on the income of the limited liability pass-through
4 entity.

5 ➔Section 50. KRS 141.206 is amended to read as follows:

6 (1) Every pass-through entity doing business in this state shall, on or before the
7 fifteenth day of the fourth month following the close of its annual accounting
8 period, file a copy of its federal tax return with the form prescribed and furnished
9 by the department.

10 (2) (a) Pass-through entities shall calculate net income in the same manner as in the
11 case of an individual under KRS 141.019 and the adjustment required under
12 Sections 703(a) and 1363(b) of the Internal Revenue Code.

13 (b) Computation of net income under this section and the computation of the
14 partner's, member's, or shareholder's distributive share shall be computed as
15 nearly as practicable identical with those required for federal income tax
16 purposes except to the extent required by differences between this chapter and
17 the federal income tax law and regulations.

18 (3) Individuals, estates, trusts, or corporations doing business in this state as a partner,
19 member, or shareholder in a pass-through entity shall be liable for income tax only
20 in their individual, fiduciary, or corporate capacities, and no income tax shall be
21 assessed against the net income of any pass-through entity, except as required:

22 (a) For S corporations under KRS 141.040;

23 (b) For a partnership level audit under KRS 141.211; and

24 (c) For a pass-through entity making an election under KRS 141.209.

25 (4) (a) Every pass-through entity required to file a return under subsection (1) of this
26 section, except publicly traded partnerships as described in KRS
27 141.0401(6)(a)18. and (b)~~13,14~~, shall withhold Kentucky income tax on the

1 distributive share, whether distributed or undistributed, of each nonresident
2 individual partner, member, or shareholder.

3 (b) Withholding shall be at the maximum rate provided in KRS 141.020.

4 (5) (a) Every pass-through entity required to withhold Kentucky income tax as
5 provided by subsection (4) of this section shall pay estimated tax for the
6 taxable year, if for a nonresident individual partner, member, or shareholder,
7 the estimated tax liability can reasonably be expected to exceed five hundred
8 dollars (\$500).

9 (b) The payment of estimated tax shall contain the information and shall be filed
10 as provided in KRS 141.207.

11 (6) (a) If a pass-through entity demonstrates to the department that a partner,
12 member, or shareholder has filed an appropriate tax return for the prior year
13 with the department, then the pass-through entity shall not be required to
14 withhold on that partner, member, or shareholder for the current year unless
15 the exemption from withholding has been revoked pursuant to paragraph (b)
16 of this subsection.

17 (b) 1. An exemption from withholding shall be considered revoked if the
18 partner, member, or shareholder does not file and pay all taxes due in a
19 timely manner.

20 2. An exemption so revoked shall be reinstated only with permission of the
21 department.

22 3. If a partner, member, or shareholder who has been exempted from
23 withholding does not file a return or pay the tax due, the department
24 may require the pass-through entity to pay to the department the amount
25 that should have been withheld, up to the amount of the partner's,
26 member's, or shareholder's ownership interest in the entity.

27 4. The pass-through entity shall be entitled to recover a payment made

1 pursuant to this paragraph from the partner, member, or shareholder on
2 whose behalf the payment was made.

3 (7) In determining the tax under this chapter, a resident individual, estate, or trust that
4 is a partner, member, or shareholder in a pass-through entity shall take into account
5 the partner's, member's, or shareholder's total distributive share of the pass-through
6 entity's items of income, loss, deduction, and credit.

7 (8) In determining the tax under this chapter, a nonresident individual, estate, or trust
8 that is a partner, member, or shareholder in a pass-through entity required to file a
9 return under subsection (1) of this section shall take into account:

10 (a) 1. If the pass-through entity is doing business only in this state, the
11 partner's, member's, or shareholder's total distributive share of the pass-
12 through entity's items of income, loss, and deduction; or

13 2. If the pass-through entity is doing business both within and without this
14 state, the partner's, member's, or shareholder's distributive share of the
15 pass-through entity's items of income, loss, and deduction multiplied by
16 the apportionment fraction of the pass-through entity as prescribed in
17 subsection (11) of this section; and

18 (b) The partner's, member's, or shareholder's total distributive share of credits of
19 the pass-through entity.

20 (9) A corporation that is subject to tax under KRS 141.040 and is a partner or member
21 in a pass-through entity shall take into account the corporation's distributive share
22 of the pass-through entity's items of income, loss, and deduction and:

23 (a) 1. For taxable years beginning on or after January 1, 2007, but prior to
24 January 1, 2018, shall include the proportionate share of the sales,
25 property, and payroll of the limited liability pass-through entity or
26 general partnership in computing its own apportionment factor; and

27 2. For taxable years beginning on or after January 1, 2018, shall include

1 the proportionate share of the sales of the limited liability pass-through
2 entity or general partnership in computing its own apportionment factor;
3 and

4 (b) Credits from the partnership.

5 (10) (a) If a pass-through entity is doing business both within and without this state,
6 the pass-through entity shall compute and furnish to each partner, member, or
7 shareholder the numerator and denominator of each factor of the
8 apportionment fraction determined in accordance with subsection (11) of this
9 section.

10 (b) For purposes of determining an apportionment fraction under paragraph (a) of
11 this subsection, if the pass-through entity is:

12 1. Doing business both within and without this state; and

13 2. A partner or member in another pass-through entity;

14 then the pass-through entity shall be deemed to own the pro rata share of the
15 property owned or leased by the other pass-through entity, and shall also
16 include its pro rata share of the other pass-through entity's payroll and sales.

17 (c) The phrases "a partner or member in another pass-through entity" and "doing
18 business both within and without this state" shall extend to each level of
19 multiple-tiered pass-through entities.

20 (d) The attribution to the pass-through entity of the pro rata share of property,
21 payroll and sales from its role as a partner or member in another pass-through
22 entity will also apply when determining the pass-through entity's ultimate
23 apportionment factor for property, payroll and sales as required under
24 subsection (11) of this section.

25 (11) (a) For taxable years beginning prior to January 1, 2018, a pass-through entity
26 doing business within and without the state shall compute an apportionment
27 fraction, the numerator of which is the property factor, representing twenty-

1 five percent (25%) of the fraction, plus the payroll factor, representing
2 twenty-five percent (25%) of the fraction, plus the sales factor, representing
3 fifty percent (50%) of the fraction, with each factor determined in the same
4 manner as provided in KRS 141.901, and the denominator of which is four
5 (4), reduced by the number of factors, if any, having no denominator,
6 provided that if the sales factor has no denominator, then the denominator
7 shall be reduced by two (2).

8 (b) For taxable years beginning on or after January 1, 2018, a pass-through entity
9 doing business within and without the state shall compute an apportionment
10 fraction as provided in KRS 141.120.

11 (12) Resident individuals, estates, or trusts that are partners in a partnership, members of
12 a limited liability company electing partnership tax treatment for federal income tax
13 purposes, owners of single member limited liability companies, or shareholders in
14 an S corporation which does not do business in this state are subject to tax under
15 KRS 141.020 on federal net income, gain, deduction, or loss passed through the
16 partnership, limited liability company, or S corporation.

17 (13) An S corporation election made in accordance with Section 1362 of the Internal
18 Revenue Code for federal tax purposes is a binding election for Kentucky tax
19 purposes.

20 (14) (a) Nonresident individuals shall not be taxable on investment income distributed
21 by a qualified investment partnership. For purposes of this subsection, a
22 "qualified investment partnership" means a pass-through entity that, during
23 the taxable year, holds only investments that produce income that would not
24 be taxable to a nonresident individual if held or owned individually.

25 (b) A qualified investment partnership shall be subject to all other provisions
26 relating to a pass-through entity under this section and shall not be subject to
27 the tax imposed under KRS 141.040 or 141.0401.

1 (15) (a) A pass-through entity shall deliver to the department a return upon a form
2 prescribed by the department showing the total amounts paid or credited to its
3 nonresident individual partners, members, or shareholders, the amount paid in
4 accordance with this subsection, and any other information the department
5 may require.

6 (b) A pass-through entity shall furnish to its nonresident partner, member, or
7 shareholder annually, but not later than the fifteenth day of the fourth month
8 after the end of its taxable year, a record of the amount of tax paid on behalf
9 of the partner, member, or shareholder on a form prescribed by the
10 department.

11 ➔Section 51. KRS 141.065 is amended to read as follows:

12 (1) For the purposes of this section, "code" or "Internal Revenue Code" means the
13 Internal Revenue Code in effect as of December 31, 1981.

14 (2) *For taxable years beginning before January 1, 2028,* there shall be allowed as a
15 credit for any taxpayer against the tax imposed by KRS 141.020 or 141.040 and
16 141.0401 for any taxable year, with the ordering of the credits as provided in KRS
17 141.0205, an amount equal to one hundred dollars (\$100) for each person hired by
18 the taxpayer, if that person has been classified as unemployed by the Office of
19 Unemployment Insurance in the Education and Labor Cabinet and has been so
20 classified for at least sixty (60) days prior to his employment by the taxpayer, and if
21 further that person has remained in the employ of the taxpayer for at least one
22 hundred eighty (180) consecutive days during the taxable year in which the
23 taxpayer claims the credit.

24 (3) No credit shall be allowed to any taxpayer for any person hired under any of the
25 following circumstances:

26 (a) A person for whom the taxpayer receives federally funded payments for on-
27 the-job training;

- 1 (b) For any person who bears any of the relationships to the taxpayer described in
2 paragraphs (1) through (8) of Section 152(a) of the Internal Revenue Code, or,
3 if the taxpayer is a corporation, to an individual who owns, directly or
4 indirectly, more than fifty percent (50%) in value of the outstanding stock of
5 the corporation as determined with the application of Section 267(c) of the
6 code;
- 7 (c) If the taxpayer is an estate or trust, to any person who is a grantor, beneficiary,
8 or fiduciary of the estate or trust, or is an individual who bears any of the
9 relationships described in paragraphs (1) through (8) of Section 152(a) of the
10 code to a grantor, beneficiary, or fiduciary of the estate or trust; or
- 11 (d) To any person who is a dependent of the taxpayer as described in code
12 Section 152(a)(9), or, if the taxpayer is an estate or trust, of a grantor,
13 beneficiary, or fiduciary of the estate or trust.
- 14 (4) For purposes of this section, all employees of all corporations which are members
15 of the same controlled group of corporations shall be treated as employed by a
16 single employer. In no instance shall the credit, if any, allowable by subsection (2)
17 of this section for any employee qualified thereunder be claimed more than once for
18 any taxable year by such a controlled group of corporations. For purposes of this
19 subsection, the term "controlled group of corporations" has the meaning given to
20 that term by code Section 1563(a), except that "more than fifty percent (50%)" shall
21 be substituted for "at least eighty percent (80%)" each place it appears in code
22 Section 1563(a)(1), and the determination shall be made without regard to
23 subsections (a)(4) and (e)(3)(c) of code Section 1563.
- 24 (5) For purposes of this section, all employees of trades or businesses (whether or not
25 incorporated) which are under common control shall be treated as employed by a
26 single employer, and in no instance shall the credit, if any, allowable by subsection
27 (2) of this section for any employee qualified thereunder be claimed more than once

1 for any taxable year.

2 (6) No credit shall be allowed under subsection (2) of this section to any organization
3 which is exempt from income tax by this chapter.

4 (7) In the case of a pass-through entity, the amount of the credit determined under this
5 section for any taxable year shall be applied at the entity level against the limited
6 liability entity tax imposed by KRS 141.0401 and shall also be apportioned pro rata
7 among the members, partners, or shareholders of the limited liability entity on the
8 last day of the taxable year, and any person to whom an amount is so apportioned
9 shall be allowed, subject to code Section 53, a credit under subsection (2) of this
10 section for that amount.

11 (8) In the case of an estate or trust, the amount of the credit determined under this
12 section for any taxable year shall be apportioned between the estate or trust and the
13 beneficiaries on the basis of income of the estate or trust allocable to each, and any
14 beneficiary to whom any amount has been apportioned under this subsection shall
15 be allowed, subject to code Section 53, a credit under subsection (2) of this section
16 for that amount.

17 (9) In no event shall the credit allowed, pursuant to this section, for any taxable year
18 exceed the tax liability of the taxpayer for the taxable year.

19 **(10) (a) By November 1, 2026, and each November 1 thereafter as long as credit is**
20 **claimed under this section, the department shall report to the Legislative**
21 **Research Commission for referral to the Interim Joint Committee on**
22 **Appropriations and Revenue:**

23 **1. The total number of returns claiming the credit for the taxable year;**

24 **2. The total amount of credit claimed for the taxable year;**

25 **3. By county, the total number of unemployed persons hired for which**
26 **credit is claimed for the taxable year;**

27 **4. By taxpayer:**

- 1 a. The name and location of the taxpayer claiming the credit as
2 listed on the tax return;
- 3 b. The total number of tax credits claimed for the taxable year;
4 c. The total amount of credit claimed for the taxable year; and
5 d. The total number of unemployed persons hired in which credit is
6 claimed for the taxable year;
- 7 5. a. In the case of taxpayers other than corporations, based on
8 ranges of adjusted gross income of no larger than five thousand
9 dollars (\$5,000) for the taxable year, the total amount of credit
10 claimed and the total number of returns claiming this credit for
11 each adjusted gross income range; and
- 12 b. In the case of corporations, based on ranges of net income of no
13 larger than fifty thousand dollars (\$50,000) for the taxable year,
14 the total amount of credit claimed and the total number of
15 returns claiming this credit for each net income range.
- 16 (b) The Office of Unemployment Insurance shall assist by providing the
17 department with the information necessary to help fulfill the requirements
18 under this subsection.
- 19 (c) The information required to be reported under this section shall not be
20 considered confidential taxpayer information and shall not be subject to
21 KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes
22 prohibiting disclosure or reporting of information.

23 ➔Section 52. KRS 141.412 is amended to read as follows:

- 24 (1) For taxable years beginning before January 1, 2028, a qualified farming operation
25 shall be entitled to a nonrefundable credit against the Kentucky income tax liability
26 established pursuant to the provisions of this chapter on any income of the qualified
27 farming operation generated by or arising out of the qualified farming operation's

1 participation in a networking project, and against the limited liability entity tax
2 imposed by KRS 141.0401 on any Kentucky gross profits or Kentucky gross
3 receipts of the qualified farming operation generated by or arising out of the
4 qualified farming operation's participation in a networking project. The credits shall
5 be applied as provided in KRS 141.0205. The annual credit shall be available for
6 the first five (5) years that the farming operation is involved in the networking
7 project. The annual credit shall be equal to the approved costs incurred by the
8 qualified farming operation during the tax year and shall not exceed the income,
9 Kentucky gross profits or Kentucky gross receipts, as the case may be, of the
10 qualified farming operation generated by or arising out of the qualified farming
11 operation's participation in a networking project.

12 (2) Any credit not used in the tax year in which it first becomes available may be
13 carried forward to the next succeeding five (5) tax years until the credit has been
14 fully used. The aggregate credit used in any tax year shall not exceed the income,
15 Kentucky gross profits or Kentucky gross receipts, as the case may be, of the
16 qualified farming operation generated by or arising out of the qualified farming
17 operation's participation in a networking project in that tax year.

18 **(3) (a) By November 1, 2026, and each November 1 thereafter as long as a**
19 **qualified farming operation credit is claimed under this section, the**
20 **department shall report to the Legislative Research Commission for referral**
21 **to the Interim Joint Committee on Appropriations and Revenue:**

22 **1. The total number of returns claiming the credit for the taxable year;**

23 **2. The total amount of credit claimed for the taxable year;**

24 **3. By taxpayer:**

25 **a. The name and location of the taxpayer claiming the credit as**
26 **listed on the tax return;**

27 **b. The total number of tax credits claimed for the taxable year;**

- 1 c. The total amount of credit claimed for the taxable year;
 2 d. The name and location, by county, of the networking project;
 3 e. Type of food or product produced; and
 4 f. Type of raw materials provided for food-producing facilities in
 5 this state;

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

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

15 (b) The Cabinet for Economic Development shall assist by providing the
 16 department with information on the approved farming operations or
 17 networking projects to help fulfill the requirements under this subsection.

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

22 ➔Section 53. KRS 141.0101 is amended to read as follows:

23 (1) (a) The provisions of subsections (2) to (11) of this section shall apply to taxable
 24 years beginning before January 1, 1994.

25 (b) The provisions of subsections (12) to (15) of this section shall apply to taxable
 26 years beginning after December 31, 1993.

27 (c) The provisions of subsection (16) of this section apply to property placed in

1 service after September 10, 2001.

2 (2) For property placed in service prior to January 1, 1990, in lieu of the depreciation
3 and expense deductions allowed under Internal Revenue Code Sections 168 and
4 179, a deduction for a reasonable allowance for depreciation, exhaustion, wear and
5 tear, and obsolescence of property used in a trade or business shall be allowed and
6 computed as set out in subsections (3) to (11) of this section. For property placed in
7 service after December 31, 1989, the depreciation and expense deductions allowed
8 under Sections 168 and 179 of the Internal Revenue Code shall be allowed.

9 (3) Effective August 1, 1985, "reasonable allowance" as used in subsection (2) of this
10 section shall mean depreciation computed in accordance with Section 167 of the
11 Internal Revenue Code and related regulations in effect on December 31, 1980, for
12 all property placed in service on or after January 1, 1981, except as provided in
13 subsections (6) to (8) of this section.

14 (4) Depreciation of property placed in service prior to January 1, 1981, shall be
15 computed under Section 167 of the Internal Revenue Code, and the method elected
16 thereunder at the time the property was first placed in service or as changed with
17 the approval of the Commissioner of Internal Revenue Service or as required by
18 changes in federal regulations.

19 (5) Taxpayers other than corporations shall be allowed to deduct as depreciation on
20 recovery property placed in service before August 1, 1985, an amount calculated
21 under Section 168 of the Internal Revenue Code subject to the provisions of
22 subsections (6) and (8) of this section. Corporations with a taxable year beginning
23 on or after July 1, 1984, and before August 1, 1985, shall calculate a deduction for
24 depreciation on recovery property placed in service prior to August 1, 1985, using
25 either of the following alternative methods:

26 (a) Dividing the total of the deductions allowed under Internal Revenue Code
27 Section 168 by one and four tenths (1.4); and

- 1 (b) Calculating the deduction that would be allowed or allowable under the
2 provisions of Section 167 of the Internal Revenue Code.
- 3 (6) Recovery property placed in service on or after January 1, 1981, and before August
4 1, 1985, and subject to transition under subsection (8) of this section, shall be
5 subject to depreciation under Section 167 of the Internal Revenue Code, restricted
6 to the straight line method therein provided over the remaining useful life of such
7 assets.
- 8 (7) Depreciation of property placed in service on or after August 1, 1985, shall be
9 computed under Section 167 of the Internal Revenue Code.
- 10 (8) Transition from Section 168 of the Internal Revenue Code, Accelerated Cost
11 Recovery System (ACRS) depreciation, to the depreciation allowed or allowable
12 under this section shall be reported in the first taxable year beginning on or after
13 August 1, 1985. To implement the transition, the following adjustments shall be
14 made:
- 15 (a) Taxpayers other than corporations shall use the adjusted Kentucky basis for
16 property placed in service on or after January 1, 1981. "Adjusted Kentucky
17 basis" means the basis used for determining depreciation under Section 168 of
18 the Internal Revenue Code less the allowed or allowable depreciation and
19 adjustment for election to expense an asset (Section 179 of the Internal
20 Revenue Code);
- 21 (b) Corporations shall adjust the federal unadjusted basis by increasing such basis
22 by the ACRS depreciation not allowed as a deduction in determining
23 Kentucky net income for tax years beginning after June 30, 1984, less allowed
24 or allowable ACRS depreciation for federal income tax purposes.
25 Corporations will not be permitted to adjust the basis by the ACRS
26 depreciation not allowed for Kentucky income tax purposes in tax years
27 beginning on or before June 30, 1984.

- 1 (9) A taxpayer may elect to treat the cost of property placed in service on or before July
2 31, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in
3 effect on December 31, 1981, except that the aggregate cost which may be
4 expensed for corporations shall not exceed five thousand dollars (\$5,000). A
5 taxpayer may elect to treat the cost of property placed in service on or after August
6 1, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in
7 effect on December 31, 1980. Computations, limitations, definitions, exceptions,
8 and other provisions of Section 179 of the Internal Revenue Code and related
9 regulations shall be construed to govern the computation of the allowable
10 deduction.
- 11 (10) Upon the sale, exchange, or disposition of any depreciable property placed in
12 service on or after January 1, 1981, capital gains or losses and the amount of
13 ordinary income determined under the provisions of the Internal Revenue Code
14 shall be computed for Kentucky income tax purposes as follows:
- 15 (a) Compute the Kentucky unadjusted basis which is the cost of the asset reduced
16 by any basis adjustment made by the taxpayer under Section 48(q)(1) of the
17 Internal Revenue Code and any expense allowed and utilized under Section
18 179 of the Internal Revenue Code (First Year Expense) in determining
19 Kentucky net income in prior years, and
- 20 (b) Compute the adjusted basis by subtracting the depreciation allowed or
21 allowable for Kentucky income tax purposes from the unadjusted basis,
22 except corporations will not be permitted to adjust the basis of assets by the
23 ACRS depreciation not allowed for Kentucky income tax purposes in the tax
24 years beginning on or before June 30, 1984, and
- 25 (c) Compute the gain or loss by subtracting the adjusted basis from the value
26 received from the disposition of the depreciable property, and
- 27 (d) Compute the recapture of depreciation required under Sections 1245 through

1 1256 of the Internal Revenue Code and related regulations, and

2 (e) Unless otherwise provided in this subsection the provisions of the Internal
3 Revenue Code and related regulations governing the determination of capital
4 gains or losses shall apply for Kentucky income tax purposes.

5 (11) Unless otherwise provided by this chapter, the basis of property placed in service
6 prior to January 1, 1990, for purposes of Kentucky income tax shall be the basis,
7 adjusted or unadjusted, required to be used under Section 167 of the Internal
8 Revenue Code in effect on December 31, 1980.

9 (12) As used in this subsection to subsection (14) of this section:

10 (a) "Transition property" means any property placed in service before the first
11 day of the first taxable year beginning after December 31, 1993, and owned
12 by the taxpayer on the first day of the first taxable year beginning after
13 December 31, 1993.

14 (b) "Adjusted Kentucky basis" means the amount computed in accordance with
15 the provisions of paragraph (b) of subsection (10) of this section for transition
16 property.

17 (c) "Adjusted federal basis" means the original cost, or, in the case of Section 338
18 property, the adjusted grossed-up basis of transition property less:

19 1. Any basis adjustments required by the Internal Revenue Code for
20 credits; and

21 2. The total accumulated depreciation and election to expense deductions
22 allowed or allowable for federal income tax purposes.

23 (d) "Section 338 property" means property to which an adjusted grossed-up basis
24 has been allocated pursuant to a valid election made by a purchasing
25 corporation under the provisions of Section 338 of the Internal Revenue Code.

26 (e) "Transition amount" means the net difference between the adjusted Kentucky
27 basis and the adjusted federal basis of all transition property determined as of

1 the first day of the first taxable year beginning after December 31, 1993.

2 (13) For taxable years beginning after December 31, 1993, the amounts of depreciation
3 and election to expense deductions, allowed or allowable, the basis of assets,
4 adjusted or unadjusted, and the gain or loss from the sale or other disposition of
5 assets shall be the same for Kentucky income tax purposes as determined under
6 Chapter 1 of the Internal Revenue Code.

7 (14) For taxable years beginning after December 31, 1993, the transition amount
8 computed in accordance with the provisions of paragraph (e) of subsection (12) of
9 this section shall be reported by the taxpayer as follows:

10 (a) In the first taxable year beginning after December 31, 1993, and the eleven
11 (11) succeeding taxable years, the taxpayer shall include in gross income one-
12 twelfth (1/12) of the transition amount if:

- 13 1. The adjusted federal basis of transition property exceeds the adjusted
14 Kentucky basis of transition property;
- 15 2. The transition amount exceeds five million dollars (\$5,000,000);
- 16 3. The transition amount includes property for which an election was made
17 under Section 338 of the Internal Revenue Code; and
- 18 4. The taxpayer elects the provisions of this paragraph with the filing of an
19 amended income tax return for the first taxable year beginning after
20 December 31, 1993.

21 (b) In the first taxable year beginning after December 31, 1993 and the three (3)
22 succeeding taxable years, if the transition amount exceeds one hundred
23 thousand dollars (\$100,000), or if the transition amount does not exceed one
24 hundred thousand dollars (\$100,000) and the taxpayer elects the provision of
25 this paragraph with the filing of the income tax return for the first taxable year
26 beginning after December 31, 1993, the taxpayer shall:

- 27 1. Deduct from gross income twenty-five percent (25%) of the transition

- 1 amount if the adjusted Kentucky basis of transition property exceeds the
2 adjusted federal basis of transition property; or
- 3 2. Add to gross income twenty-five percent (25%) of the transition amount
4 if the adjusted federal basis of transition property exceeds the adjusted
5 Kentucky basis of transition property.
- 6 (c) In the first taxable year beginning after December 31, 1993, if the transition
7 amount does not exceed one hundred thousand dollars (\$100,000) and the
8 taxpayer does not elect the provisions of paragraph (b) of this subsection, the
9 taxpayer shall:
- 10 1. Deduct from gross income the total transition amount if the adjusted
11 Kentucky basis of transition property exceeds the adjusted federal basis
12 of transition property; or
- 13 2. Add to gross income the total transition amount if the adjusted federal
14 basis of transition property exceeds the adjusted Kentucky basis of
15 transition property.
- 16 (15) **For taxable years beginning before January 1, 2028,** notwithstanding any other
17 provision of this section to the contrary, any qualified farming operation, as defined
18 in KRS 141.410, shall be allowed to compute the depreciation deduction for new
19 buildings and equipment purchased to enable participation in a networking project,
20 as defined in KRS 141.410, on an accelerated basis at two (2) times the rate that
21 would otherwise be permitted under the provisions of this section. The accumulated
22 depreciation allowed under this subsection shall not exceed the taxpayer's basis in
23 such property.
- 24 (16) (a) For property placed in service after September 10, 2001, only the depreciation
25 deduction allowed under Section 168 of the Internal Revenue Code in effect
26 on December 31, 2001, exclusive of any amendments made subsequent to that
27 date, shall be allowed.

1 (b) For property placed in service after September 10, 2001, but prior to January
2 1, 2020, only the expense deduction allowed under Section 179 of the Internal
3 Revenue Code in effect on December 31, 2001, exclusive of any amendments
4 made subsequent to that date, shall be allowed.

5 (c) For property placed in service on or after January 1, 2020, only the expense
6 deduction allowed under Section 179 of the Internal Revenue Code in effect
7 on December 31, 2003, exclusive of any amendments made subsequent to that
8 date, shall be allowed, except that the phase-out provisions of Section 179 of
9 the Internal Revenue Code, limiting the qualifying investment in property,
10 shall not apply.

11 ➔Section 54. KRS 151B.402 is amended to read as follows:

12 (1) The General Assembly recognizes the critical condition of the educational level of
13 Kentucky's adult population and seeks to stimulate the attendance at, and successful
14 completion of, programs that provide a High School Equivalency Diploma.
15 Incentives shall be provided to full-time employees who complete a High School
16 Equivalency Diploma program within one (1) year and their employers.

17 (2) The Office of Adult Education within the Department of Workforce Development
18 in the Education and Labor Cabinet shall promulgate administrative regulations to
19 establish the operational procedures for this section. The administrative regulations
20 shall include but not be limited to the criteria for:

21 (a) A learning contract that includes the process to develop a learning contract
22 between the student and the adult education instructor with the employer's
23 agreement to participate and support the student;

24 (b) Attendance reports that validate that the student is enrolled and studying for
25 the High School Equivalency Diploma during the release time from work; and

26 (c) Final reports that qualify the student for the tuition discounts under subsection
27 (3)(a) of this section and that qualify the employer for tax credits under

1 subsection (4) of the section.

2 (3) (a) An individual who has been out of secondary school for at least three (3)
3 years, develops and successfully completes a learning contract that requires a
4 minimum of five (5) hours per week to study for the High School Equivalency
5 Diploma program, and successfully earns a High School Equivalency
6 Diploma shall earn a tuition discount of two hundred fifty dollars (\$250) per
7 semester for a maximum of four (4) semesters at one (1) of Kentucky's public
8 postsecondary institutions.

9 (b) The program shall work with the postsecondary institutions to establish
10 notification procedures for students who qualify for the tuition discount.

11 (4) **For taxable years beginning before January 1, 2028,** an employer who assists an
12 individual to complete his or her learning contract under the provisions of this
13 section shall receive a state tax credit against the income tax imposed by KRS
14 141.020 or 141.040, and the limited liability entity tax imposed by KRS 141.0401,
15 with credit ordering as provided in KRS 141.0205 for a portion of the released time
16 given to the employee to study for the tests. The application for the tax credit shall
17 be supported with attendance documentation provided by the Office of Adult
18 Education and calculated by multiplying fifty percent (50%) of the hours released
19 for study by the student's hourly salary, and not to exceed a credit of one thousand
20 two hundred fifty dollars (\$1250).

21 **(5) (a) By November 1, 2026, and each November 1 thereafter as long as the**
22 **employer High School Equivalency Diploma program incentive credit is**
23 **claimed under this section, the department shall report to the Legislative**
24 **Research Commission for referral to the Interim Joint Committee on**
25 **Appropriations and Revenue:**

26 **1. The total number of returns claiming the credit for the taxable year;**

27 **2. The total amount of credit claimed for the taxable year;**

- 1 3. By county, the total:
- 2 a. Number of employers participating in the High School
- 3 Equivalency Diploma program;
- 4 b. Amount of High School Equivalency Diploma program incentive
- 5 credit claimed; and
- 6 c. Number of full-time employees who complete the High School
- 7 Equivalency Diploma program;
- 8 4. By taxpayer:
- 9 a. The name and location of the taxpayer claiming the credit as
- 10 listed on the tax return;
- 11 b. The total number of tax credits claimed for the taxable year;
- 12 c. The total amount of credit claimed for the taxable year; and
- 13 d. The number of individuals assisted with completion of the High
- 14 School Equivalency Diploma for the taxable year;
- 15 5. a. In the case of taxpayers other than corporations, based on
- 16 ranges of adjusted gross income of no larger than five thousand
- 17 dollars (\$5,000) for the taxable year, the total amount of credit
- 18 claimed and the total number of returns claiming this credit for
- 19 each adjusted gross income range; and
- 20 b. In the case of corporations, based on ranges of net income of no
- 21 larger than fifty thousand dollars (\$50,000) for the taxable year,
- 22 the total amount of credit claimed and the total number of
- 23 returns claiming this credit for each net income range.
- 24 (b) The Office of Adult Education shall assist by providing the department with
- 25 the information necessary to help fulfill the requirements under this
- 26 subsection.
- 27 (c) The information required to be reported under this section shall not be

1 *considered confidential taxpayer information and shall not be subject to*
 2 *KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes*
 3 *prohibiting disclosure or reporting of information.*

4 ➔Section 55. KRS 171.396 is amended to read as follows:

5 As used in this section and KRS 171.3961 and 171.397 *and Section 57 of this Act:*

6 (1) *"Affordable" means the occupant's housing costs, including utilities, total thirty*
 7 *percent (30%) or less of the occupant's gross income;*

8 (2) "Certified historic structure" means a structure that is located within the
 9 Commonwealth of Kentucky that is:

- 10 (a) Listed individually on the National Register of Historic Places; or
 11 (b) Located in a historic district listed on the National Register of Historic Places
 12 and is certified by the council as contributing to the historic significance of
 13 the district;

14 ~~(3)~~(2) "Certified rehabilitation" means a completed substantial rehabilitation of a
 15 certified historic structure that the council certifies meets the United States
 16 Secretary of the Interior's Standards for Rehabilitation;

17 ~~(4)~~(3) "Certified rehabilitation credit cap" means an annual amount of ~~£:~~
 18 ~~(a) Three million dollars (\$3,000,000) for applications received prior to April 30,~~
 19 ~~2010;~~
 20 ~~(b) Five million dollars (\$5,000,000) for applications received on or after April~~
 21 ~~30, 2010, but before April 30, 2022; and~~

22 ~~(c)~~ one hundred million dollars (\$100,000,000) for applications received on or after:

- 23 (a) April 30, 2022, *but before April 30, 2026,* allocated with:
 24 1. Twenty-five percent (25%) of the credit cap awarded to owner-occupied
 25 residential property; and
 26 2. Seventy-five percent (75%) of the credit cap awarded to property other
 27 than owner-occupied residential property, which includes the major

1 certified rehabilitation allowed under KRS 171.3963; and
 2 (b) April 30, 2026, but before April 15, 2027, and on or before each April 15
 3 thereafter, allocated with:

4 1. Fifteen percent (15%) of the credit cap awarded to owner-occupied
 5 residential property; and

6 2. Eighty-five percent (85%) of the credit cap awarded to property other
 7 than owner-occupied residential property;

8 plus any ~~amounts~~~~amount~~ added to the certified rehabilitation credit cap pursuant
 9 to KRS 171.397(2)(c) and Section 57 of this Act;

10 ~~(5)~~~~(4)~~ "Commercial residential property" means a certified historic structure that:

11 (a) Is not owner-occupied residential property; and

12 (b) Has a minimum of fifty percent (50%) of its square footage designated to
 13 residential space which shall be available for lease, rent, or sale upon
 14 completion of the rehabilitation;

15 (6) "Council" means the Kentucky Heritage Council;

16 ~~(7)~~~~(5)~~ "Disqualifying work" means work that is performed within three (3) years of
 17 the completion of the certified rehabilitation that, if performed as part of the
 18 rehabilitation certified under KRS 171.397 and Section 57 of this Act, would have
 19 made the rehabilitation ineligible for certification;

20 ~~(8)~~~~(6)~~ "Exempt entity" means any tax exempt organization pursuant to sec. 501(c)(3)
 21 of the Internal Revenue Code, any political subdivision of the Commonwealth, any
 22 state or local agency, board, or commission, or any quasi-governmental entity;

23 ~~(9)~~~~(7)~~ "Local government" means a city, county, urban-county, charter county, or
 24 consolidated local government;

25 ~~(10)~~~~(8)~~ "Median family income" means the median family income for the county in
 26 which the residence is located as determined by the most recent American
 27 Community Survey Five-Year Estimate;

1 (11) "Owner-occupied residential property" means a building or portion thereof,
2 condominium, or cooperative occupied by the owner as his or her principal
3 residence;

4 (12)~~(9)~~ "Qualified rehabilitation expense" means any amount that is properly
5 chargeable to a capital account, whether or not depreciation is allowed under
6 Section 168 of the Internal Revenue Code, and is expended in connection with the
7 certified rehabilitation of a certified historic structure. It shall include the cost of
8 restoring landscaping and fencing that contributes to the historic significance of this
9 structure, but shall not include the cost of acquisition of a certified historic
10 structure, enlargement of or additions to an existing building, or the purchase of
11 personal property;

12 (13)~~(10)~~ "Substantial rehabilitation" means rehabilitation of a certified historic
13 structure for which the qualified rehabilitation expenses, during a twenty-four (24)
14 month period selected by the taxpayer or exempt entity, ending with or within the
15 taxable year, exceed:

16 (a) Twenty thousand dollars (\$20,000) for an owner-occupied residential
17 property; or

18 (b) For all other property, the greater of:

19 1. The adjusted basis of the structure; or

20 2. Twenty thousand dollars (\$20,000);

21 (14)~~(11)~~ "Taxpayer" means any individual, corporation, limited liability company,
22 business development corporation, partnership, limited partnership, sole
23 proprietorship, association, joint stock company, receivership, trust, professional
24 service organization, or other legal entity through which business is conducted that:

25 (a) Elects to claim the credit on a return and receive a refund as provided in KRS
26 171.397(2)(b)2.a. and Section 57 of this Act; or

27 (b) Is the recipient of a credit which is transferred as provided in KRS

1 171.397(2)(b)2.b. and Section 57 of this Act; and
 2 ~~(15)~~~~(12)~~ "Qualified purchased historic home" means any substantially rehabilitated
 3 certified historic structure if:

- 4 (a) The taxpayer claiming the credit authorized under KRS 171.397 and Section
 5 57 of this Act is the first purchaser of the structure after the date of
 6 completion of the substantial rehabilitation;
 7 (b) The structure or a portion thereof will be the principal residence of the
 8 taxpayer; and
 9 (c) No credit was allowed to the seller under this section.

10 A qualified purchased historic home shall be deemed owner-occupied residential
 11 property for purposes of this section.

12 ➔Section 56. KRS 171.397 is amended to read as follows:

- 13 (1) (a) For all applications for a preliminary approval received prior to April 30,
 14 2010, there shall be allowed as a credit against the taxes imposed by KRS
 15 141.020, 141.040, 141.0401, or 136.505, an amount equal to:
 16 1. Thirty percent (30%) of the qualified rehabilitation expenses, in the case
 17 of owner-occupied residential property; and
 18 2. Twenty percent (20%) of the qualified rehabilitation expenses, in the
 19 case of all other property.

20 In the case of an exempt entity that has incurred qualified rehabilitation
 21 expenses, the credit provided in this subsection shall be available to transfer
 22 or assign as provided under subsection (8) or (9) of this section.

- 23 (b) For applications for preliminary approval received on or after April 30, 2010,
 24 the credit shall be refundable if the taxpayer makes an election under
 25 subsection (2)(b) of this section.

- 26 (2) (a) A taxpayer seeking the credit provided under subsection (1) of this section
 27 shall file an application for a preliminary determination of maximum credit

1 eligibility before April 30 of the year in which the proposed project will
2 begin. The application shall describe the project and shall include
3 documentation supporting the qualification of the project for the credit, the
4 proposed start date, the proposed completion date, the projected qualified
5 rehabilitation expenses, and any other information the council may require.
6 The council shall determine the preliminary maximum credit available for
7 each taxpayer and shall notify the taxpayer of that amount by June 30 of the
8 year in which the application was filed. If total credits applied for in any year
9 exceed the certified rehabilitation credit cap, plus any amounts added to the
10 cap pursuant to paragraph (c) of this subsection, the provisions of subsection
11 (5) of this section shall be applied to reduce the approved credits for all
12 taxpayers with qualifying applications for that year.

- 13 (b) 1. An application for a final determination of credit shall be submitted to
14 the council upon completion of the project.
- 15 2. The application shall include an irrevocable election by the taxpayer to:
16 a. Use the credit, in which case, the credit shall be refundable; or
17 b. Transfer the credit.
- 18 3. The council shall determine the final amount of credit approved for each
19 taxpayer based upon the actual expenditures, preliminary determination
20 of maximum credit, and a determination that the expenditures are
21 qualified rehabilitation expenses.
- 22 4. The council shall notify the taxpayer and Department of Revenue of the
23 final approved credit amount within sixty (60) days of the receipt of a
24 completed application from the taxpayer.
- 25 (c) 1. If the total amount of credits finally approved for a taxpayer under
26 paragraph (b) of this subsection are less than the credits initially
27 approved for a taxpayer under paragraph (a) of this subsection, the

1 difference between the two (2) amounts shall be added to the certified
2 rehabilitation credit cap for the next calendar year.

3 2. If the total amount of credits approved under paragraph (a) of this
4 subsection in any calendar year is less than the certified rehabilitation
5 credit cap, the difference between the credits actually awarded and the
6 certified rehabilitation credit cap shall be added to the certified
7 rehabilitation credit cap for the next calendar year.

8 (3) (a) The maximum credit which may be claimed with regard to owner-occupied
9 residential property shall be one hundred twenty thousand dollars (\$120,000)
10 subject to subsection (5) of this section. The credit in this section shall be
11 claimed for the taxable year in which the certified rehabilitation is completed.

12 (b) The maximum credit which may be claimed with regard to all other property
13 that is not owner-occupied residential shall be ten million dollars
14 (\$10,000,000) subject to subsection (5) of this section. The credit in this
15 section shall be claimed for the taxable year in which the certified
16 rehabilitation is completed.

17 (4) In the case of a husband and wife filing separate returns or filing separately on a
18 joint return, the credit may be taken by either or divided equally, but the combined
19 credit shall not exceed one hundred twenty thousand dollars (\$120,000) if subject to
20 the limitation in subsection (3)(a) of this section, or ten million dollars
21 (\$10,000,000) if subject to the limitation in subsection (3)(b) of this section, subject
22 to the provisions of subsection (5) of this section.

23 (5) The credit amount approved for a calendar year for all taxpayers under subsection
24 (2)(a) of this section shall be limited to the certified rehabilitation credit cap. When
25 the total credits applied for and approved in any year under subsection (2)(a) of this
26 section exceed the certified rehabilitation credit cap, the council shall apportion the
27 certified rehabilitation credit cap as follows: The certified rehabilitation credit cap

1 for the year under consideration shall be multiplied by a fraction, the numerator
2 which is the approved credit amount for an individual taxpayer for a calendar year
3 and the denominator which is the total approved credits for all taxpayers for a
4 calendar year.

5 (6) (a) For all applications received prior to April 30, 2010, if the credit amount that
6 may be claimed in any tax year as determined under subsections (3) to (5) of
7 this section exceeds the taxpayer's total tax liabilities under KRS 136.505,
8 141.020, or 141.040 and 141.0401, the taxpayer may carry the excess tax
9 credit forward until the tax credit is used, provided that any tax credits not
10 used within seven (7) years of the taxable year the certified rehabilitation was
11 complete shall be lost.

12 (b) For all applications received on or after April 30, 2010, if the credit amount
13 that may be claimed in any tax year as determined under subsections (3) to (5)
14 of this section exceeds the taxpayer's total tax liabilities under KRS 136.505,
15 141.020, or 141.040 and 141.0401, the taxpayer may receive a refund, if the
16 taxpayer elected to take the credit as required by subsection (2)(b) of this
17 section.

18 (7) (a) The credit shall apply against both the tax imposed by KRS 141.020 or
19 141.040 and the limited liability entity tax imposed by KRS 141.0401, with
20 the ordering of credits as provided in KRS 141.0205.

21 (b) 1. For applications received prior to April 30, 2010, if the taxpayer is a
22 pass-through entity not subject to the tax imposed by KRS 141.040, the
23 taxpayer shall apply the credit at the entity level against the limited
24 liability tax entity imposed by KRS 141.0401, and shall also pass the
25 credit through in the same proportion as the distributive share of income
26 or loss is passed through.

27 2. For applications received on or after April 30, 2010, if the taxpayer is a

1 pass-through entity not subject to the tax imposed by KRS 141.040, the
2 taxpayer shall apply the credit at the entity level against the limited
3 liability tax entity imposed by KRS 141.0401, and may receive a refund
4 if the taxpayer elected to take the credit as required by subsection
5 (2)(b)2.a. of this section.

6 (8) Credits received under this section may be transferred or assigned if an election is
7 made under subsection (2)(b) of this section, for some or no consideration, along
8 with any related benefits, rights, responsibilities, and liabilities to a financial
9 institution as defined in KRS 141.010 subject to the taxes imposed by KRS
10 136.505, 141.040, or 141.0401. Within thirty (30) days of the date of any transfer of
11 credits, the party transferring the credits shall notify the Department of Revenue of:

- 12 (a) The name, address, employer identification number, and bank routing and
13 transfer number, of the party to which the credits are transferred;
14 (b) The amount of credits transferred; and
15 (c) Any additional information the Department of Revenue deems necessary.

16 The provisions of this subsection shall apply to any credits that pass through to a
17 successor or beneficiary of a taxpayer.

18 (9) For purposes of this section, a lessee of a certified historic structure shall be treated
19 as the owner of the structure if the remaining term of the lease is not less than the
20 minimum period promulgated by administrative regulation by the council.

21 (10) The taxes imposed in KRS 141.020, 141.040, and 141.0401 shall not apply to any
22 consideration received for the transfer, sale, assignment, or use of a tax credit
23 approved under this section.

24 (11) The Department of Revenue shall assess a penalty on any taxpayer or exempt entity
25 that performs disqualifying work, as determined by the Kentucky Heritage Council,
26 on a certified historic structure for which a rehabilitation has been certified under
27 this section in an amount equal to one hundred percent (100%) of the tax credit

1 allowed on the rehabilitation. Any penalties shall be assessed against the property
2 owner who performs the disqualifying work and not against any transferee of the
3 credits.

4 (12) The council may impose fees for processing applications for tax credits, not to
5 exceed the actual cost associated with processing the applications.

6 (13) The council may authorize a local government to perform an initial review of
7 applications for the credit allowed under this section and forward the applications to
8 the council with its recommendations.

9 (14) The council and the Department of Revenue may promulgate administrative
10 regulations in accordance with the provisions of KRS Chapter 13A to establish
11 policies and procedures to implement the provisions of subsections (1) to (13) of
12 this section.

13 (15) The tax credit authorized by this section shall apply to tax periods ending on or
14 after December 31, 2005.

15 **(16) This section applies to applications received before April 30, 2026.**

16 ➔SECTION 57. A NEW SECTION OF KRS CHAPTER 171 IS CREATED TO
17 READ AS FOLLOWS:

18 **(1) This section applies to applications received on or after April 30, 2026, but before**
19 **April 15, 2027, and on or after each April 15 thereafter.**

20 **(2) (a) There shall be allowed as a credit against the taxes imposed in KRS**
21 **136.320, 136.330, 136.340, 136.350, 136.370, 136.390, 304.3-270, 141.020,**
22 **or 141.040 and 141.0401. The amount of the credit shall be equal to:**

23 **1. Thirty percent (30%) of the qualified rehabilitation expenses, in the**
24 **case of owner-occupied residential property;**

25 **2. Thirty percent (30%) of the qualified rehabilitation expenses, if the**
26 **commercial residential property is affordable to households earning**
27 **eighty percent (80%) of the median family income or less; or**

- 1 **3. Twenty percent (20%) of the qualified rehabilitation expenses, in the**
2 **case of all other property.**
- 3 **(b) In the case of an exempt entity that has incurred qualified rehabilitation**
4 **expenses, the credit provided in this subsection shall be available to transfer**
5 **or assign as provided under subsection (9) or (10) of this section.**
- 6 **(c) The credit shall be refundable if the taxpayer makes an election under**
7 **subsection (3)(b) of this section.**
- 8 **(d) An insurance company claiming a tax credit against the insurance premium**
9 **tax is not required to pay additional retaliatory tax levied pursuant to KRS**
10 **304.3-270.**
- 11 **(3) (a) 1. A taxpayer seeking the credit provided under subsection (2) of this**
12 **section shall file an application for a preliminary determination of**
13 **maximum credit eligibility before:**
- 14 **a. April 15; or**
15 **b. August 15;**
16 **of the year in which the proposed project will begin.**
- 17 **2. The certified rehabilitation credit cap shall be allocated as follows:**
- 18 **a. Fifty million dollars (\$50,000,000) for applications received**
19 **before the date established in subparagraph 1.a. of this**
20 **paragraph, except that the amount shall not exceed one hundred**
21 **million dollars (\$100,000,000), including any amounts added**
22 **under paragraph (c) of this subsection from a prior allocation**
23 **period; and**
- 24 **b. Fifty million dollars (\$50,000,000) for applications received**
25 **before the date established in subparagraph 1.b. of this**
26 **paragraph, except that the amount shall not exceed one hundred**
27 **million dollars (\$100,000,000), including any amounts added**

1 under paragraph (c) of this subsection from a prior allocation
2 period.

3 3. The application shall describe the project and shall include
4 documentation supporting the qualification of the project for the
5 credit, the proposed start date, the proposed completion date, the
6 projected qualified rehabilitation expenses, and any other information
7 the council may require.

8 4. The council shall determine the preliminary maximum credit available
9 for each taxpayer and shall notify the taxpayer of that amount by:

10 a. June 30 for applications received on or before April 15 of the
11 year in which the application was filed; or

12 b. October 30 for applications received on or before August 15 of
13 the year in which the application was filed.

14 5. If total credits applied for in any year exceed the certified
15 rehabilitation credit cap, plus any amounts added to the cap pursuant
16 to paragraph (c) of this subsection, the provisions of subsection (6) of
17 this section shall be applied to reduce the approved credits for all
18 taxpayers with qualifying applications for that year.

19 (b) 1. An application for a final determination of credit shall be submitted to
20 the council upon completion of the project.

21 2. The application shall include an irrevocable election by the taxpayer
22 to:

23 a. Use the credit, in which case, the credit shall be refundable; or

24 b. Transfer the credit.

25 3. The council shall determine the final amount of credit approved for
26 each taxpayer based upon the actual expenditures, preliminary
27 determination of maximum credit, and a determination that the

1 expenditures are qualified rehabilitation expenses.

2 4. The council shall notify the taxpayer and Department of Revenue of
3 the final approved credit amount within sixty (60) days of the receipt
4 of a completed application from the taxpayer.

5 (c) 1. If the total amount of credits preliminarily approved for all taxpayers
6 under paragraph (a)2.a. of this subsection are less than the allocated
7 amount under paragraph (a)2.a. of this subsection, the difference
8 between the two (2) amounts shall be added to the allocated amount
9 under paragraph (a)2.b. of this subsection, except that in no case shall
10 the amount allocated under paragraph (a)2.a. or b. of this subsection
11 exceed one hundred million dollars (\$100,000,000), including any
12 amounts added to the certified rehabilitation credit cap from prior
13 calendar years. Any amount exceeding the one hundred million
14 dollars (\$100,000,000) threshold is null and void as a carryover to any
15 other allocation period.

16 2. If the total amount of credits finally approved for a taxpayer under
17 paragraph (b) of this subsection are less than the credits initially
18 approved for a taxpayer under paragraph (a) of this subsection, the
19 difference between the two (2) amounts shall be added to the certified
20 rehabilitation credit cap for the next calendar year.

21 3. If the total amount of credits approved under paragraph (a) of this
22 subsection in any calendar year is less than the certified rehabilitation
23 credit cap, the difference between the credits actually awarded and the
24 certified rehabilitation credit cap shall be added to the certified
25 rehabilitation credit cap for the next calendar year.

26 (4) (a) The maximum credit which may be claimed with regard to owner-occupied
27 residential property shall be one hundred twenty thousand dollars

1 (\$120,000) subject to subsection (6) of this section. The credit in this section
2 shall be claimed for the taxable year in which the certified rehabilitation is
3 completed.

4 (b) The maximum credit which may be claimed with regard to all other
5 property that is not owner-occupied residential shall be ten million dollars
6 (\$10,000,000) subject to subsection (6) of this section. The credit in this
7 section shall be claimed for the taxable year in which the certified
8 rehabilitation is completed.

9 (5) In the case of two (2) spouses filing separate returns or filing separately on a
10 joint return, the credit may be taken by either or divided equally, but the
11 combined credit shall not exceed one hundred twenty thousand dollars (\$120,000)
12 if subject to the limitation in subsection (4)(a) of this section, or ten million
13 dollars (\$10,000,000) if subject to the limitation in subsection (4)(b) of this
14 section, subject to the provisions of subsection (6) of this section.

15 (6) The credit amount approved for a calendar year for all taxpayers under
16 subsection (3)(a) of this section shall be limited to the certified rehabilitation
17 credit cap. When the total credits applied for and approved in any year under
18 subsection (3)(a) of this section exceed the certified rehabilitation credit cap, the
19 council shall apportion the certified rehabilitation credit cap as follows: The
20 certified rehabilitation credit cap for the year under consideration shall be
21 multiplied by a fraction, the numerator which is the approved credit amount for
22 an individual taxpayer for a calendar year and the denominator which is the total
23 approved credits for all taxpayers for a calendar year.

24 (7) (a) If the credit amount that may be claimed in any tax year as determined
25 under subsections (4) to (6) of this section exceeds the taxpayer's total tax
26 liabilities under KRS 141.020, or 141.040 and 141.0401, the taxpayer may
27 carry the excess tax credit forward until the tax credit is used, provided that

1 any tax credits not used within seven (7) years of the taxable year the
2 certified rehabilitation was complete shall be lost.

3 (b) If the credit amount that may be claimed in any tax year as determined
4 under subsections (4) to (6) of this section exceeds the taxpayer's total tax
5 liabilities under KRS 141.020, or 141.040 and 141.0401, the taxpayer may
6 receive a refund, if the taxpayer elected to take the credit as required by
7 subsection (3)(b) of this section.

8 (8) (a) The credit shall apply against both the tax imposed by KRS 141.020 or
9 141.040 and the limited liability entity tax imposed by KRS 141.0401, with
10 the ordering of credits as provided in KRS 141.0205.

11 (b) If the taxpayer is a pass-through entity not subject to the tax imposed by
12 KRS 141.040, the taxpayer shall apply the credit at the entity level against
13 the limited liability tax entity imposed by KRS 141.0401, and shall also pass
14 the credit through in the same proportion as the distributive share of
15 income or loss is passed through.

16 (9) Credits received under this section may be transferred or assigned if an election is
17 made under subsection (3)(b) of this section, for some or no consideration, along
18 with any related benefits, rights, responsibilities, and liabilities to a financial
19 institution as defined in KRS 141.010 subject to the taxes imposed by KRS
20 141.040, or 141.0401. Within thirty (30) days of the date of any transfer of credits,
21 the party transferring the credits shall notify the Department of Revenue of:

22 (a) The name, address, employer identification number, and bank routing and
23 transfer number, of the party to which the credits are transferred;

24 (b) The amount of credits transferred; and

25 (c) Any additional information the Department of Revenue deems necessary.

26 The provisions of this subsection shall apply to any credits that pass through to a
27 successor or beneficiary of a taxpayer.

- 1 (10) For purposes of this section, a lessee of a certified historic structure shall be
2 treated as the owner of the structure if the remaining term of the lease is not less
3 than the minimum period promulgated by administrative regulation by the
4 council.
- 5 (11) The taxes imposed by KRS 141.020, 141.040, and 141.0401 shall not apply to any
6 consideration received for the transfer, sale, assignment, or use of a tax credit
7 approved under this section.
- 8 (12) The Department of Revenue shall assess a penalty on any taxpayer or exempt
9 entity that performs disqualifying work, as determined by the Kentucky Heritage
10 Council, on a certified historic structure for which a rehabilitation has been
11 certified under this section in an amount equal to one hundred percent (100%) of
12 the tax credit allowed on the rehabilitation. Any penalties shall be assessed
13 against the property owner who performs the disqualifying work and not against
14 any transferee of the credits.
- 15 (13) The council may impose fees for processing applications for tax credits, not to
16 exceed the actual cost associated with processing the applications.
- 17 (14) The council may authorize a local government to perform an initial review of
18 applications for the credit allowed under this section and forward the applications
19 to the council with its recommendations.
- 20 (15) The council and the Department of Revenue may promulgate administrative
21 regulations in accordance with the provisions of KRS Chapter 13A to establish
22 policies and procedures to implement the provisions of subsections (1) to (14) of
23 this section.

24 ➔Section 58. KRS 141.382 is amended to read as follows:

- 25 (1) As used in this section:
- 26 (a) "Certified historic structure" means the same as defined in KRS 171.396;
- 27 (b) "Qualified rehabilitation expense" means the same as defined in KRS

1 171.396; and

2 (c) "Substantial rehabilitation" means the same as defined in KRS 171.396.

3 (2) A refundable or transferable credit in the amount determined in KRS 171.397 ***and***
4 ***Section 57 of this Act*** shall be allowed against the taxes imposed by KRS 136.505
5 or 141.020 or 141.040 and 141.0401, with the ordering of credits provided in KRS
6 141.0205, for qualified rehabilitation expenses incurred by the taxpayer and used
7 for substantial rehabilitation to a certified historic structure.

8 ➔Section 59. KRS 171.3961 is amended to read as follows:

9 (1) For taxable years beginning on or after January 1, 2014, a taxpayer completing a
10 certified rehabilitation to a certified historic structure shall be allowed a credit
11 against the taxes imposed by KRS 141.020 or 141.040 and 141.0401, with the
12 ordering of credits as provided in KRS 141.0205, or KRS 136.505 if:

13 (a) The certified historic structure is located within the jurisdiction of a
14 consolidated local government or urban-county government;

15 (b) The amount of qualified rehabilitation expenses exceeds fifteen million
16 dollars (\$15,000,000);

17 (c) The certified historic structure is located within one-half (1/2) mile of a tax
18 increment financing development area which has received at least preliminary
19 approval under KRS 65.490 or 154.30-050; and

20 (d) Substantial rehabilitation of the certified historic structure begins prior to July
21 1, 2015.

22 (2) (a) The credit shall:

23 1. Equal the percentage of qualified rehabilitation expenses as provided in
24 KRS 171.397(1)(a) ***and Section 57 of this Act***;

25 2. Only apply to the first thirty million dollars (\$30,000,000) of qualified
26 rehabilitation expenses; and

27 3. Be refundable and transferable.

1 (b) Any projects approved for a credit under this section shall not be subject to
2 any caps established by KRS 171.397 and shall not be considered in
3 determining whether the certified rehabilitation credit cap has been met in any
4 year.

5 (3) The taxpayer seeking the credit shall file the applications for preliminary
6 determination and final determination as provided by KRS 171.397(2) **and Section**
7 **56 of this Act.**

8 (4) The total approved credit shall be available over a four (4) year period and the
9 maximum credit which may be claimed in a taxable year shall not exceed twenty-
10 five percent (25%) of the total approved credit.

11 (5) The provisions of KRS 171.397(9) to (14) **and Section 57 of this Act** shall also
12 apply to this section.

13 ➔Section 60. KRS 441.135 is amended to read as follows:

14 (1) The jailer may maintain a canteen for the benefit of prisoners lodged in the jail and
15 may assign such jail employees and prisoners to operate the canteen as are
16 necessary for efficient operation.

17 (2) All profits from the canteen shall be used:

18 (a) For the benefit and to enhance the well-being of the prisoners; or

19 (b) To enhance safety and security within the jail.

20 The jailer shall keep books of accounts of all receipts and disbursements from the
21 canteen and shall annually report to the county treasurer on the canteen account.

22 (3) Allowable expenditures from a canteen account shall include but not be limited to
23 recreational, vocational, and medical purposes.

24 (4) Except in counties containing an urban-county government or a consolidated local
25 government, in order to ensure adequate, ongoing funding of jail canteen accounts,
26 beginning July 1, 2007, and on the first day of each fiscal year thereafter, the jail
27 canteen account balance shall at least equal the following amounts based on the

1 average daily inmate population of the jail:

- 2 (a) 300 prisoners or more\$6,000
- 3 (b) 200 to 299 prisoners.....\$4,000
- 4 (c) 100 to 199 prisoners.....\$2,000
- 5 (d) 99 or fewer prisoners.....\$1,000

6 (5) For purposes of calculating the amount to be transferred to the jail canteen account,
7 the average daily number of inmates shall be equal to the average daily inmate
8 population of the jail in the immediately preceding fiscal year.

9 **(6) Notwithstanding KRS 67.0802(6)(a), compensation resulting from the disposal of**
10 **real or personal property that was purchased from a canteen account shall be**
11 **returned to the canteen account from which the real or personal property was**
12 **originally purchased. The jailer shall report all proceeds received from the**
13 **disposal of property for the year to the Legislative Research Commission for**
14 **referral to the Interim Joint Committee on Appropriations and Revenue by**
15 **December 1 of each year.**

16 ➔SECTION 61. A NEW SECTION OF KRS CHAPTER 224A IS CREATED
17 TO READ AS FOLLOWS:

18 **A one-half of one percent (0.5%) administrative fee shall be paid to the Kentucky**
19 **Infrastructure Authority for the administration of each project funded by the**
20 **infrastructure for economic development fund for coal-producing counties and the**
21 **infrastructure for economic development fund for tobacco counties. These**
22 **administrative fees shall be paid, upon inception of the project, out of the fund from**
23 **which the project was allocated.**

24 ➔Section 62. KRS 43.050 is amended to read as follows:

25 (1) The Auditor constitutes an agency independent of the administrative departments
26 enumerated in KRS 12.020, it being the policy of the General Assembly to provide
27 for the independent auditing of the accounts, financial transactions, and

1 performance of all spending agencies of the state through a disinterested auditor,
2 who is entirely independent of the state administration whose affairs he is called
3 upon to audit.

4 (2) The Auditor may:

- 5 (a) Audit annually, and at such other times as may be deemed expedient, the
6 accounts of all state agencies, all private and semiprivate agencies receiving
7 state aid or having responsibility for the handling of any state funds, the
8 accounts, records, and transactions of the budget units, and the general
9 accounts of the state;
- 10 (b) Make a complete audit and verification of all moneys handled for the account
11 of the state government by local officials charged with the collection of fees
12 or other money for or on behalf of the state, when an audit is demanded in
13 writing by the Legislative Research Commission, the secretary of the Finance
14 and Administration Cabinet, or the Governor, and may make an audit when it
15 is not so demanded;
- 16 (c) Examine periodically the performance, management, conduct, and condition
17 of all asylums, prisons, institutions for the intellectually disabled, and
18 eleemosynary institutions; public works owned, operated, or partly owned by
19 the state, or in the conduct or management of which the state has any financial
20 interest or legal power; and state agencies. The examinations shall give
21 special attention to the faithful and economical application of any money
22 appropriated by the state to the institution, public works, or state agency
23 examined, or of any money in which the state has an interest;
- 24 (d) Examine annually the management and condition of the offices of the Finance
25 and Administration Cabinet, the State Treasurer, and the chief state school
26 officer, to determine whether the laws regulating their duties are being fully
27 complied with, and all money received by them for the state fully accounted

- 1 for;
- 2 (e) Examine, at least biennially, the Finance and Administration Cabinet's
- 3 compliance with this section and KRS 48.111 and 56.800 to 56.823. Within
- 4 sixty (60) days of the completion of each examination, the Auditor shall
- 5 report his findings and recommendations to the Capital Projects and Bond
- 6 Oversight Committee;
- 7 (f) Audit periodically all state revenue collections, and, if he finds that
- 8 collections are not being satisfactorily made, report that fact to the authority
- 9 whose duty it is to make the collections;
- 10 (g) Make special audits and investigations when required by the Governor;
- 11 (h) Investigate the means of accounting for, controlling, and insuring the safe
- 12 custody of all property of the state, and verify the existence and condition of
- 13 such property charged to, or held in the custody of any state agency;
- 14 (i) Audit the statements of financial condition and operations of the state
- 15 government, and certify in writing the results of the audit and examination
- 16 with the comments he deems necessary for the information of the General
- 17 Assembly;
- 18 (j) Report immediately in writing to the Governor, the Legislative Research
- 19 Commission, and the secretary of the Finance and Administration Cabinet,
- 20 any unauthorized, illegal, irregular, or unsafe handling or expenditure of state
- 21 funds, or other improper practice of financial administration, or evidence that
- 22 any such handling, expenditure, or practice is contemplated, and any
- 23 obstruction of the Auditor or his agents during the conduct of any audit or
- 24 investigation of a state agency; and
- 25 (k) Assist the Legislative Research Commission at hearings and investigations
- 26 conducted by it and cooperate with the Legislative Research Commission in
- 27 the preparation of its reports to the General Assembly.

- 1 (3) The Auditor may investigate and examine into the conduct of all state and county
2 officers who are authorized to receive, collect, or disburse any money for the state,
3 or who manage or control any property belonging to the state or in which the state
4 is interested, or who make estimates or records that are used as a basis by any state
5 agency in the disbursement of public funds.
- 6 (4) The Auditor may conduct a special audit or examination of a city government or
7 any of its agencies or departments.
- 8 (5) **The Auditor may receive appropriations from the general fund for audits of the**
9 **statewide systems of personnel and payroll, cash and investments, revenue**
10 **collection, and the state accounting system.** Except where otherwise provided, any
11 expenses incurred by the Auditor for **any other audit, examination, investigation,**
12 **or review, including a required audit of federal funds,** ~~audits, examinations,~~
13 ~~investigations, or reviews~~ shall be charged to the entity that is the subject of the
14 audit, examination, investigation, or review. The Auditor shall maintain a record of
15 all time expenses for each audit, examination, investigation, or review.
- 16 (6) The Auditor may provide consulting services, in accordance with auditing standards
17 generally accepted in the United States and government auditing standards, to state
18 or local government entities and associations of such entities, including special
19 purpose governmental entities, and may charge a mutually agreed upon rate for
20 those services, including:
- 21 (a) Providing training and technical presentations;
- 22 (b) Developing audit guides applicable to those entities;
- 23 (c) Developing question and answer documents to promote understanding of
24 technical issues or standards; and
- 25 (d) Collaborating with other professional organizations to advance auditing of
26 government entities and programs.
- 27 (7) The Auditor shall not be responsible for the keeping of any accounts of the state,

1 except accounts relating to his own operations. The Auditor shall not be responsible
 2 for the collection of any money due the state, or for the handling or custody of any
 3 state funds or property except in the process of counting and verifying the amounts
 4 of the funds or property in the course of the audits provided for in this section.

5 ➔Section 63. KRS 18A.080 is amended to read as follows:

- 6 (1) (a) Except as provided in KRS 18A.200, members of the board shall receive
 7 compensation of one hundred dollars (\$100) per diem for each meeting of the
 8 board and reimbursement for actual and necessary expenses in accordance
 9 with state regulations and standards applicable to state employees.

10 ~~(b)(2)~~ In addition to payments for attendance at board meetings all board
 11 members may also be paid one hundred dollars (\$100) for each day spent in
 12 the preparation of recommended orders, the review of transcripts or other
 13 matters related to appeals before the board.

14 ~~(c)(3)~~ Any board member missing three (3) consecutive regular meetings shall
 15 be deemed to have vacated his office. Replacements to the board shall be
 16 made as provided in KRS 18A.050(2) and 18A.060.

- 17 **(2) Each agency of the executive branch of state government with employees covered**
 18 **by this chapter shall be annually assessed for the amount required for the**
 19 **operation of the Personnel Board. The agency assessment shall be determined by**
 20 **the secretary of the Finance and Administration Cabinet based on the authorized**
 21 **full-time positions of each agency on July 1 of each year of the biennium. The**
 22 **Finance and Administration Cabinet shall collect the assessment.**

23 ➔Section 64. KRS 151.723 is amended to read as follows:

- 24 (1) The rate of the water use fees collected by the authority shall be set for each year of
 25 the biennium based upon a total amount of funds necessary to carry out only those
 26 functions, projects, and expenses authorized by the General Assembly in the
 27 authority's biennial budget.

1 (2) At the time the authority submits its budget to the Governor's Office of Policy and
2 Management, it shall certify to the General Assembly the total amount of water use
3 reported for the preceding biennium by users subject to the water use fees. At least
4 thirty (30) days prior to the effective date of the authority's budget, the authority
5 shall establish a rate for each water use fee based upon an amount of water use
6 projected for each year of the biennium from the amount reported, calculated to
7 generate the amount of funds necessary to carry out the functions, projects, and
8 expenses which have been authorized by the General Assembly to be funded by the
9 fees. The rate shall be an amount for each one thousand (1,000) gallons of water use
10 and shall be effective for at least one (1) year.

11 (3) The authority shall define by administrative regulation those uses of the Kentucky
12 River or the waters of the Kentucky River basin subject to a water use fee. Water
13 use fees shall not apply to facilities using water for agricultural purposes. The
14 authority shall collect the fees on a quarterly basis and pay the collected fees into
15 the State Treasury to the credit of a restricted fund for use by the authority.

16 **(4) Water withdrawal fees imposed by the authority shall not be subject to state and**
17 **local taxes. Notwithstanding KRS 151.710(10), Tier 1 water withdrawal fees shall**
18 **be used to support the operations of the authority and for contractual services for**
19 **water supply and quality studies.**

20 ➔Section 65. KRS 304.17B-021 is amended to read as follows:

21 (1) In addition to the other powers enumerated in KRS 304.17B-001 to 304.17B-031,
22 the Office of Health Data and Analytics shall assess insurers in the amounts
23 specified in this section. The assessment shall be used for the purpose of funding
24 GAP losses and Kentucky Access.

25 (a) The amount of the assessment for each calendar year shall be as follows:

26 1. From each stop-loss carrier, an amount that is equal to two dollars (\$2)
27 upon each one hundred dollars (\$100) of health insurance stop-loss

- 1 premiums;
- 2 2. From all insurers, an amount based on the total amount of all health
3 benefit plan premiums earned during the prior assessment period and
4 paid by all insurers who received any of the health benefit plan
5 premiums on which the annual assessment is based. The percentage rate
6 used for the annual assessment shall be the same percentage rate as
7 calculated in the GAP risk adjustment process for the six (6) month
8 period of July 1, 1998, through December 31, 1998;
- 9 3. If determined necessary by the office, a second assessment may be
10 assessed in the same manner as the annual assessment in subparagraph
11 2. of this paragraph; and
- 12 4. In no event shall the sum of the first assessment provided for in
13 subparagraph 2. of this paragraph and the second assessment provided
14 for in subparagraph 3. of this paragraph be greater than one percent
15 (1%) of the total amount of all assessable health benefit plan premiums
16 earned during the prior assessment period.
- 17 (b) The first assessment shall be for the period from January 1, 2000, through
18 December 31, 2000, and shall be paid on or before March 31, 2001.
19 Subsequent annual assessments shall be paid on or before March 31 of the
20 year following the assessment period.
- 21 (2) Every supporting insurer shall report to the office, in a form and at the time as the
22 office may specify, the following information for the specified period:
- 23 (a) The insurer's total stop-loss premiums and health benefit plan premiums in the
24 individual, small group, large group, and association markets; and
- 25 (b) Other information as the office may require.
- 26 (3) As part of the assessment process, the office shall establish and maintain the
27 Kentucky Access fund. All funds shall be held at interest, in a single depository

1 designated in accordance with KRS 304.8-090(1) under a written trust agreement in
2 accordance with KRS 304.8-095. All expense and revenue transactions of the fund
3 shall be posted to the Management Administrative Reporting System (MARS) and
4 its successors.

5 (4) The Kentucky Access fund shall be funded from the following sources:

- 6 (a) Premiums paid by Kentucky Access enrollees;
- 7 (b) The funds designated for Kentucky Access in the Kentucky Health Care
8 Improvement fund;
- 9 (c) Appropriations from the General Assembly;
- 10 (d) ~~[All premium taxes collected under KRS Chapter 136 from any insurer, and~~
11 ~~any retaliatory taxes collected under KRS 304.3-270 from any insurer, for~~
12 ~~accident and health premiums that are in excess of the amount of the premium~~
13 ~~taxes and retaliatory taxes collected for the calendar year 1997;~~
- 14 ~~(e)~~ Annual assessments from supporting insurers;
- 15 (e)~~[(f)]~~ A second assessment from supporting insurers;
- 16 (f)~~[(g)]~~ Gifts, grants, or other voluntary contributions;
- 17 (g)~~[(h)]~~ Interest or other earnings on the investment of the moneys held in the
18 account; and
- 19 (h)~~[(i)]~~ Any funds remaining on January 1, 2001, in the guaranteed acceptance
20 program account may be transferred to the Kentucky Access fund.

21 (5) The office shall determine on behalf of Kentucky Access the premiums, the
22 expenses for administration, the incurred losses, taking into account investment
23 income and other amounts needed to satisfy reserves, estimated claim liabilities,
24 and other obligations for each calendar year. The office shall also determine the
25 amount of the actual guaranteed acceptance program plan losses for each calendar
26 year. The office shall assess insurers as follows:

- 27 (a) On or before March 31 of each year, the amount set forth in subsection

1 (1)(a)1. and (1)(a)2. of this section.

2 (b) If the amount of actual guaranteed acceptance program plan losses exceeds
3 the assessment provided for in paragraph (a) of this subsection, a second
4 assessment shall be authorized under subsection (1)(a)3. of this section. If the
5 amount of GAP losses exceeds the assessments provided under subsection
6 (1)(a)1., subsection (1)(a)2., and subsection (1)(a)3. of this section, moneys
7 received and available from the Kentucky Health Care Improvement Fund
8 after the office determines available funding for Kentucky Access for the
9 current calendar year pursuant to subsection (6) of this section, shall be used
10 to reimburse GAP participating insurers for any actual guaranteed acceptance
11 program losses. If the amount of GAP losses exceeds the amount in the
12 Kentucky Health Care Improvement Fund after reserving sufficient funds for
13 Kentucky Access for the current year, each GAP participating insurer shall be
14 reimbursed up to the amount of its proportional share of actual guaranteed
15 acceptance program plan losses from the fund. Effective for any assessment
16 on or after January 1, 2001, in calculating GAP losses, total premiums and
17 total claims of the GAP participating insurer shall be used. Actual guaranteed
18 acceptance program losses shall be calculated as the difference between the
19 total GAP claims and the total GAP premiums on an aggregate basis.

20 (c) If GAP losses are fully covered by the assessment process provided for in
21 subsection (1)(a)1. and (1)(a)2. of this section and the second assessment
22 provided for in subsection (1)(a)3. of this section is not necessary to cover
23 GAP losses, and as determined by the office using reasonable actuarial
24 principles Kentucky Access funding is needed, a second assessment provided
25 for in subsection (1)(a)3. of this section shall be completed.

26 (6) After the end of each calendar year, GAP losses shall be reimbursed only after the
27 office determines that appropriate funding is available for Kentucky Access for the

- 1 current calendar year. GAP losses shall be reimbursed after reserving sufficient
2 funds for Kentucky Access.
- 3 (7) With respect to a GAP participating insurer who reasonably will be expected both
4 to pay assessments and to receive payments from the assessment fund, the office
5 shall calculate the net amount owed to or to be received from the fund, and the
6 office shall only collect assessments for or make payments from the fund based
7 upon net amounts.
- 8 (8) Insurers paying an assessment may include in any health insurance rate filing the
9 amount of these assessments as provided for in Subtitle 17A of this chapter.
- 10 (9) Insurers shall pay any assessment amounts authorized in KRS 304.17B-001 to
11 304.17B-031 within thirty (30) days of receiving notice from the office of the
12 assessment amount.
- 13 (10) Any surpluses remaining in the Kentucky Access fund after completion of the
14 assessment process for a calendar year shall be maintained for use in the assessment
15 process for future calendar years and such funds shall not lapse. The general fund
16 appropriations to the Kentucky Access fund shall not lapse.
- 17 (11) Assessments on health benefit plan premiums that are required under KRS
18 304.17B-001 to 304.17B-031 shall not be applied to premiums received by an
19 insurer for state employees, Medicaid recipients, Medicare beneficiaries, and
20 CHAMPUS insureds.
- 21 (12) The office shall direct that receipts of Kentucky Access be held at interest, and may
22 be used to offset future losses or to reduce plan premiums in accordance with the
23 terms of KRS 304.17B-001 to 304.17B-031. As used in this subsection, "future
24 losses" may include reserves for incurred but not reported claims.
- 25 (13) The office shall conduct examinations of insurers and stop-loss carriers reasonably
26 necessary to determine if the information provided by the insurers or stop-loss
27 carriers is accurate.

1 (14) The insurer, as a condition of conducting health insurance business in Kentucky,
2 shall pay the assessments specified in KRS 304.17B-001 to 304.17B-031.

3 (15) The stop-loss carrier, as a condition of doing health insurance business in Kentucky,
4 shall pay the assessments specified in KRS 304.17B-001 to 304.17B-031.

5 ➔Section 66. KRS 11.068 is amended to read as follows:

6 (1) There is created an agency of state government known as the Office of State Budget
7 Director. The office shall be attached for administrative purposes to the Office of
8 the Governor.

9 (2) The office shall include the following major organizational units:

10 (a) The Office of State Budget Director, headed by the state budget director. The
11 state budget director shall be appointed by the Governor pursuant to KRS
12 11.040 and shall serve, under direction of the Governor, as state budget
13 director and secretary of the state planning committee. The office shall
14 include such principal assistants and supporting personnel appointed pursuant
15 to KRS Chapter 12 as may be necessary to carry out the functions of the
16 office. The office shall have such duties, rights, and responsibilities as are
17 necessary to perform, without being limited to, the following functions:

18 1. Functions relative to the preparation, administration, and evaluation of
19 the executive budget as provided in KRS Chapters 45 and 48 and in
20 other laws, including but not limited to, capital construction budgeting,
21 evaluation of state programs, program monitoring, financial and policy
22 analysis and issue review, and executive policy implementation and
23 compliance;

24 2. Continuous evaluation of statewide management and administrative
25 procedures and practices, including but not limited to economic
26 forecasting, technical assistance to state agencies, forms control, and
27 special analytic studies as directed by the Governor; and

- 1 3. Staff planning functions of the state planning committee and evaluation
2 of statewide management and administrative practices and procedures.
- 3 (b) Governor's Office for Policy and Management, headed by the state budget
4 director. The state budget director shall maintain staff employed pursuant to
5 KRS Chapter 18A sufficient to carry out the functions of the office relating to
6 state budgeting as provided in paragraph (a) of this subsection and state
7 planning as provided in KRS Chapter 147, review of administrative
8 regulations proposed by executive agencies prior to filing pursuant to KRS
9 Chapter 13A and such other duties as may be assigned by the Governor.
- 10 (c) Governor's Office for Policy Research, headed by the state budget director.
11 The Governor's Office for Policy Research shall assist the state budget
12 director in providing policy research data, information, and analysis to the
13 Governor on public policy issues that impact the Commonwealth. The state
14 budget director shall identify and direct the research to be completed and
15 provided by the office. The state budget director shall maintain staff employed
16 in accordance with KRS Chapter 18A sufficient to carry out the functions of
17 the office.
- 18 (d) Governor's Office for Economic Analysis, headed by the state budget director.
19 The state budget director shall maintain staff employed in accordance with
20 KRS Chapter 18A sufficient to carry out the functions of the office. The
21 Governor's Office for Economic Analysis shall carry out the revenue
22 estimating and economic analysis functions and responsibilities, including but
23 not limited to the functions and responsibilities assigned to the Office of State
24 Budget Director by KRS Chapter 48. The Governor's Office for Economic
25 Analysis shall perform the tax administrative function of using tax data to
26 provide the Department of Revenue with studies, projections, statistical
27 analyses, and any other information that will assist the Department of

1 Revenue in performing its tax administrative functions.

2 (3) (a) As used in this subsection, "tax expenditure" means an exemption,
 3 exclusion, or deduction from the base of a tax, a credit against the tax, a
 4 deferral of a tax, or a preferential tax rate.

5 (b) On or before September 1, 2026, and every September 1 thereafter, the
 6 Office of State Budget Director shall publish on its website detailed
 7 estimates of the general fund and road fund for the current and next two (2)
 8 fiscal years of the revenue loss resulting from tax expenditures.

9 (c) The Department of Revenue shall provide assistance and furnish data that
 10 is not restricted by KRS 131.190.

11 (d) The estimates shall include for each tax expenditure:

12 1. The amount of revenue loss;

13 2. A citation of the legal authority for the tax expenditure;

14 3. The year in which the tax expenditure was enacted; and

15 4. The tax year in which the tax expenditure became effective.

16 ➔SECTION 67. A NEW SECTION OF KRS CHAPTER 16 IS CREATED TO
 17 READ AS FOLLOWS:

18 Notwithstanding any statute to the contrary, the department shall bill and accept
 19 payment from nonstate-operated event sponsors for security services provided by the
 20 department.

21 ➔SECTION 68. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO
 22 READ AS FOLLOWS:

23 (1) In this section:

24 (a) "Consumer" means a:

25 1. Kentucky resident who purchases an event contract through a
 26 prediction market; or

27 2. Person who is not a Kentucky resident who purchases an event

- 1 contract through a prediction market while in Kentucky;
- 2 **(b) "Department" means the Department of Revenue;**
- 3 **(c) "Event contract" means:**
- 4 **1. An agreement, contract, transaction, or swap in an excluded**
- 5 **commodity described in 7 U.S.C. sec. 1a(19)(iv), as amended; or**
- 6 **2. A speculative position based on:**
- 7 **a. A binary outcome, such as "yes" or "no," which is tied to a**
- 8 **particular future event; or**
- 9 **b. One of several possible future outcomes tied to a particular**
- 10 **future event;**
- 11 **(d) "Person" has the same meaning as KRS 139.010;**
- 12 **(e) "Prediction market":**
- 13 **1. Means:**
- 14 **a. Any physical or electronic platform through which a consumer**
- 15 **may buy, sell, or exchange event contracts, whether the market is**
- 16 **located in or out of the state; or**
- 17 **b. Any platform or system that provides consumers with the ability**
- 18 **to open speculative positions on the outcomes of future events;**
- 19 **and**
- 20 **2. May be a board of trade designated as a contract market by the**
- 21 **Commodity Futures Trading Commission;**
- 22 **(f) "Prediction market operator":**
- 23 **1. Means a board of trade or other person, including any affiliate of the**
- 24 **person, that operates a prediction market; and**
- 25 **2. Includes but is not limited to a person that satisfies the requirements**
- 26 **of this subsection through the ownership, operation, or control of a**
- 27 **digital distribution service, digital distribution platform, online portal,**

- 1 or application store where a prediction market may be accessed;
- 2 (g) "Speculative position" means a financial commitment made by a consumer
3 in a prediction market; and
- 4 (h) "Transaction fee" means the cash or cash equivalent that is required to be
5 paid by a consumer to a prediction market operator within an event contract
6 for a prediction market.
- 7 (2) An excise tax is hereby imposed on a prediction market operator at the rate of
8 seventeen and one-quarter percent (17.25%) of the prediction market operator's
9 transaction fees. The accrual method of accounting shall be used for purposes of
10 calculating the amount of tax owed by the prediction market operator under this
11 subsection.
- 12 (3) The tax imposed by subsection (2) of this section is due and payable monthly and
13 shall be remitted to the department on or before the twentieth day of the next
14 succeeding calendar month.
- 15 (4) The prediction market operator's payment shall be accompanied by a return
16 prescribed by the department indicating the amount of tax due for the previous
17 calendar month as well as any other information the department shall require
18 through an administrative regulation promulgated in accordance with KRS
19 Chapter 13A.
- 20 (5) Any prediction market operator who violates any provision of this section shall be
21 subject to the uniform civil penalties imposed under KRS 131.180.
- 22 (6) In every case, any tax not paid on or before the due date shall bear interest at the
23 tax interest rate as defined in KRS 131.010 from the due date until the date of
24 payment.
- 25 (7) It is the purpose and intent of the General Assembly to levy taxes on persons
26 engaged in the operations of a prediction market. It is not the intent of the
27 General Assembly to legalize these activities.

1 ➔SECTION 69. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO
2 READ AS FOLLOWS:

3 (1) (a) A fantasy contest operator shall be liable for the payment of the tax levied in
4 Section 9 of this Act.

5 (b) A prediction market operator shall be liable for the payment of the tax
6 levied in Section 68 of this Act.

7 (2) Notwithstanding anything in this chapter to the contrary, the president, vice
8 president, secretary, treasurer, or any other person holding any equivalent
9 corporate office of any corporation subject to Section 9 or 68 of this Act shall be
10 personally and individually liable, both jointly and severally, for the taxes
11 imposed by Section 9 or 68 of this Act.

12 (3) Corporate dissolution, withdrawal of the corporation from the state, or the
13 cessation of holding any corporate office shall not discharge the liability of any
14 person. The personal and individual liability shall apply to every person holding a
15 corporate office at the time the tax becomes or became due.

16 (4) Notwithstanding any provision of this chapter or KRS 275.150, 362.1-306(3) or
17 predecessor law, or 362.2-404(3) to the contrary, the managers of a limited
18 liability company, the partners of a limited liability partnership, and the general
19 partners of a limited liability limited partnership or any other person holding any
20 equivalent office of a limited liability company, limited liability partnership, or
21 limited liability limited partnership subject to Section 9 or 68 of this Act shall be
22 personally and individually liable, both jointly and severally, for the fantasy
23 sports operator or prediction market operator taxes.

24 (5) Dissolution, withdrawal of the limited liability company, limited liability
25 partnership, or limited liability limited partnership from the state, or the cessation
26 of holding any office shall not discharge the liability of any person. The personal
27 and individual liability shall apply to every manager of a limited liability

1 company, partner of a limited liability partnership, or general partner of a limited
 2 liability limited partnership at the time the tax becomes or became due.

3 (6) A person shall not be personally and individually liable under this section if the
 4 person had no authority to collect, truthfully account for, or pay over any tax at
 5 the time the taxes imposed become or became due.

6 (7) "Taxes," as used in this section, includes interest accrued at the rate provided by
 7 KRS 131.183, all applicable penalties imposed under this chapter, and all
 8 applicable penalties imposed under KRS 131.180, 131.410 to 131.445, and
 9 131.990.

10 ➔Section 70. KRS 132.017 is amended to read as follows:

11 (1) As used in this section:

12 (a) "Local governmental entity" includes a county fiscal court and legislative
 13 body of a city, urban-county government, consolidated local government,
 14 charter county government, unified local government, or other taxing district;
 15 and

16 (b) "Next regular election" means the regular election that occurs immediately
 17 after all statutory requirements for levying a property tax rate have been met,
 18 regardless of whether the election occurs in the same or a subsequent calendar
 19 year as the levy of the property tax rate.

20 (2) (a) 1. Except as provided in subparagraph 2. of this paragraph, the portion of a
 21 tax rate levied by an ordinance, order, resolution, or motion of a taxing
 22 district~~local governmental entity or district board of education~~ subject
 23 to recall as provided for in KRS 68.245, 132.023, 132.027, and 160.470,
 24 shall go into effect forty-five (45) days after its passage if a petition is
 25 not filed to challenge the levy. If a petition is filed, the levy shall be
 26 suspended in accordance with paragraph (e) of this subsection.

27 2. When a tax rate is levied by a~~district board of education or other~~

1 taxing district that is primarily located in a county **with a population of**
 2 **three hundred thousand (300,000) or more inhabitants**~~[containing an~~
 3 ~~urban county government or a consolidated local government]~~, the
 4 portion of a tax rate levied by an ordinance, order, resolution, or motion
 5 of a ~~[district board of education or other]~~ taxing district subject to recall
 6 as provided for in KRS 68.245, 132.023, 132.027, and 160.470, shall go
 7 into effect fifty (50) days after its passage **if a petition is not filed to**
 8 **challenge the levy. If a petition is filed, the levy shall be suspended in**
 9 **accordance with paragraph (e) of this subsection.**

- 10 (b) During the same forty-five (45) day or fifty (50) day time period provided by
 11 paragraph (a) of this subsection, any three (3) qualified voters, who reside in
 12 the area where the tax levy will be imposed, may commence petition
 13 proceedings to protest the passage of the ordinance, order, resolution, or
 14 motion **levied by a taxing district** by filing an affidavit with the county clerk.

15 The affidavit shall state:

- 16 1. The three (3) qualified voters constitute the members of the petition
 17 committee;
- 18 2. The petition committee will be responsible for circulating the petition;
- 19 3. The petition committee will file the petition in the proper form within
 20 the same forty-five (45) day or fifty (50) day time period provided by
 21 paragraph (a) of this subsection;
- 22 4. The names and addresses of the petition committee members;
- 23 5. The address to which all notices to the committee are to be sent; and
- 24 6. For petition committees filing petitions in response to a tax rate levied
 25 by a ~~[district board of education or other]~~ taxing district that is primarily
 26 located in a county **with a population of three hundred thousand**
 27 **(300,000) or more inhabitants**~~[containing an urban county government~~

1 ~~or a consolidated local government~~], whether or not the petition
 2 committee is willing to incur all of the expenses associated with
 3 electronic petition signatures. If the petition committee is not willing to
 4 incur all of the expenses, then electronic petition signatures shall not be
 5 allowed for the petition.

6 (c) Upon receipt of the affidavit, the county clerk shall immediately:

- 7 1. Notify the petition committee of all statutory requirements for the filing
 8 of a valid petition under this section;
- 9 2. Notify the petition committee that the clerk will publish a notice
 10 identifying the tax levy being challenged and providing the names and
 11 addresses of the petition committee on the home page of the clerk's
 12 website and in a newspaper of general circulation within the county, if:
 - 13 a. There is a newspaper within the county in which to publish the
 14 notice; and
 - 15 b. The petition committee remits an amount equal to the cost of
 16 publishing the notice in the newspaper as determined in
 17 accordance with the provisions of KRS 424.160 at the time of the
 18 filing of the affidavit.

19 If the petition committee elects to have the notice published, the clerk
 20 shall publish the notice within five (5) days of receipt of the affidavit;
 21 and

- 22 3. Deliver a copy of the affidavit to the taxing district levying the
 23 tax~~[appropriate local governmental entity or district board of education]~~.

24 (d) The petition shall meet the following requirements:

- 25 1. All papers of the petition shall be substantially uniform in size and style
 26 and shall be assembled in one (1) instrument for filing;
- 27 2. Each sheet of the petition may contain the names of voters from more

- 1 than one (1) voting precinct;
- 2 3. Each nonelectronic petition signature shall be executed in ink or
3 indelible pencil;
- 4 4. Each electronic petition signature shall comply with the requirements of
5 the Uniform Electronic Transactions Act, KRS 369.101 to 369.120;
- 6 5. Each petition signature shall be followed by the printed name, street
7 address, birth month, and birth year of the person signing; and
- 8 6. a. i. Except for petitions filed in response to a tax rate levied by a
9 local~~district~~ board of education, The petition shall be
10 signed by a number of registered and qualified voters
11 residing in the affected jurisdiction equal to at least ten
12 percent (10%) of the total number of votes cast in the last
13 preceding presidential election.
- 14 ii. For petitions filed in response to a tax rate levied by a
15 local~~district~~ board of education, the petition shall be signed
16 by at least five thousand (5,000) registered and qualified
17 voters residing in the affected jurisdiction or signed by a
18 number of registered and qualified voters residing in the
19 affected jurisdiction equal to at least ten percent (10%) of the
20 total number of votes cast in the last preceding presidential
21 election, whichever is less.
- 22 b. Electronic petition signatures shall be included in determining
23 whether the required number of petition signatures has been
24 obtained when:
- 25 i. The expenses associated with the electronic petition
26 signatures have been incurred in accordance with paragraph
27 (b)6. of this subsection;

- 1 ii. The electronic petition signatures comply with the
2 requirements of this subsection; and
- 3 iii. The petition was filed in response to a tax rate levied by a
4 ~~district board of education or other~~ taxing district that is
5 primarily located in a county **with a population of three**
6 **hundred thousand (300,000) or more**
7 **inhabitants**~~[containing an urban county government or a~~
8 ~~consolidated local government].~~
- 9 c. The inclusion of an invalid petition signature on a page shall not
10 invalidate the entire page of the petition, but shall instead result in
11 the invalid petition signature being stricken and not counted.
- 12 (e) Upon the filing of the petition with the county clerk, the ordinance, order,
13 resolution, or motion shall be suspended from going into effect until after the
14 election referred to in subsection (3) of this section is held, or until the
15 petition is finally determined to be insufficient and no further action may be
16 taken pursuant to paragraph (i) of this subsection.
- 17 (f) The county clerk shall immediately notify the presiding officer of the **taxing**
18 **district**~~[appropriate local governmental entity or district board of education]~~
19 that the petition has been received and shall, within thirty (30) days of the
20 receipt of the petition, make a determination of whether the petition contains
21 enough signatures of qualified voters to place the ordinance, order, resolution,
22 or motion before the voters.
- 23 (g) If the county clerk finds the petition to be sufficient, the clerk shall certify to
24 the petition committee and the **taxing district**~~[local governmental entity or~~
25 ~~district board of education]~~ within the thirty (30) day period provided for in
26 paragraph (f) of this subsection that the petition is properly presented and in
27 compliance with the provisions of this section, and that the ordinance, order,

1 resolution, or motion levying the tax will be placed before the voters for
2 approval.

3 (h) If the county clerk finds the petition to be insufficient, the clerk shall, within
4 the thirty (30) day period provided for in paragraph (f) of this subsection,
5 notify, in writing, the petition committee and the **taxing district levying the**
6 **tax**~~[local governmental entity or district board of education]~~ of the specific
7 deficiencies found. Notification shall be sent by certified mail and shall be
8 published **on the home page of the clerk's website and** at least one (1) time in
9 a newspaper of general circulation within the county containing the **taxing**
10 **district**~~[local governmental entity or district board of education]~~ levying the
11 tax. If there is not a newspaper within the county in which to publish the
12 notification, then the notification shall be posted at the courthouse door.

13 (i) A final determination of the sufficiency of a petition shall be subject to final
14 review by the Circuit Court of the county in which the **taxing district levying**
15 **the tax**~~[local governmental entity or district board of education]~~ is located,
16 and shall be limited to the validity of the county clerk's determination. Any
17 petition challenging the county clerk's final determination shall be filed within
18 ten (10) days of the issuance of the clerk's final determination.

19 (j) The local governmental entity **levying the tax**~~[or district board of education]~~
20 may cause the cancellation of the election by reconsidering and amending the
21 ordinance, order, resolution, or motion to levy a tax rate which will produce
22 no more revenue from real property, exclusive of revenue from new property~~[~~
23 ~~as defined in KRS 132.010]~~, than four percent (4%) over the amount of
24 revenue produced by the compensating tax rate~~[defined in KRS 132.010]~~
25 from real property. The action by the local governmental entity or
26 **local**~~[district]~~ board of education **to cancel an election** shall be valid only if
27 taken within fifteen (15) days following the date the clerk finds the petition to

1 be sufficient.

2 (3) (a) If an election is necessary under the provisions of subsection (2) of this
3 section:

4 1. The local governmental entity shall cause to be submitted to the voters
5 of the district at the next regular election, the question as to whether the
6 property tax rate shall be levied; or

7 2. The local~~district~~ board of education shall cause to be submitted to the
8 voters of the district in a called common school election not less than
9 thirty-five (35) days nor more than forty-five (45) days from the date the
10 signatures on the petition are validated by the county clerk, or at the next
11 regular election, at the option of the local~~district~~ board of education,
12 the question as to whether the property tax rate shall be levied. The cost
13 of a called common school election shall be borne by the school district
14 holding the election. Any called common school election shall comply
15 with the provisions of KRS 118.025.

16 (b) If an election under paragraph (a) of this subsection is held in conjunction
17 with a regular election, the question as to whether the property tax rate shall
18 be levied shall be submitted to the county clerk no later than the second
19 Tuesday in August preceding the regular election.

20 (c) In an election held under paragraph (a) of this subsection, the question shall
21 be framed to ask whether the voter is for the levy of the property tax rate. If a
22 majority of the votes cast upon the question oppose its passage, the ordinance,
23 order, resolution, or motion shall not go into effect. If a majority of the votes
24 cast upon the question favor its passage, the ordinance, order, resolution, or
25 motion shall become effective.

26 (d) If the ordinance, order, resolution, or motion fails to pass pursuant to an
27 election held under paragraph (a) of this subsection, the property tax rate

1 which will produce four percent (4%) more revenues from real property,
 2 exclusive of revenue from new property~~[as defined in KRS 132.010]~~, than the
 3 amount of revenue produced by the compensating tax rate~~[defined in KRS~~
 4 ~~132.010]~~, shall be levied without further approval by the local governmental
 5 entity or local~~[district]~~ board of education.

6 (e) Local, state, and federal tax dollars shall not be used to advocate, in partial
 7 terms, for or against any public question that appears on the ballot in this
 8 subsection. For purposes of this section, "local" means and includes any city,
 9 county, urban-county government, consolidated local government, unified
 10 local government, charter county, or special district.

11 (4) Notwithstanding any statutory provision to the contrary, if a taxing district~~[local~~
 12 ~~governmental entity or district board of education]~~ has not established a final tax
 13 rate as of September 15, due to the recall provisions of this section, KRS 68.245,
 14 132.023, 132.027, or 160.470, regular tax bills shall be prepared as required in KRS
 15 133.220 for all districts having a tax rate established by that date; and a second set
 16 of bills shall be prepared and collected in the regular manner, according to the
 17 provisions of KRS Chapter 132, upon establishment of final tax rates by the
 18 remaining districts.

19 (5) If a second billing is necessary, the collection period shall be extended to conform
 20 with the second billing date.

21 (6) All costs associated with the second billing shall be paid by the taxing district~~[or~~
 22 ~~districts]~~ requiring the second billing.

23 ➔Section 71. KRS 160.470 is amended to read as follows:

24 (1) (a) Notwithstanding any statutory provisions to the contrary, a local~~[no district]~~
 25 board of education shall not levy a general tax rate which will produce more
 26 revenue, exclusive of revenue from net assessment growth as defined in KRS
 27 132.010, than would be produced by application of the general tax rate that

1 could have been levied in the preceding year to the preceding year's
 2 assessment, except as provided in subsections ~~(10)(9)~~ and ~~(11)(10)~~ of this
 3 section and KRS 157.440.

4 (b) If an election is held as provided for in KRS 132.017 and the question should
 5 fail, such failure shall not reduce the "...general tax rate that could have been
 6 levied in the preceding year..." referred to in subsection (1)(a) of this section,
 7 for purposes of computing the general tax rate for succeeding years.

8 In the event of a merger of school districts, the limitations contained in this
 9 section shall be based upon the combined revenue of the merging districts, as
 10 computed under the provisions of this section.

11 (2) ~~A local~~~~No district~~ board of education shall ***not*** levy a general tax rate within the
 12 limits imposed in subsection (1) of this section which respectively exceeds the
 13 compensating tax rate defined in KRS 132.010, except as provided in subsections
 14 ~~(10)(9)~~ and ~~(11)(10)~~ of this section ***and***, ~~KRS 157.440,~~ and ~~KRS~~ 157.621,
 15 until the ~~local~~~~district~~ board of education has complied with the provisions of
 16 subsection ~~(8)(7)~~ of this section.

17 (3) Upon receipt of property assessments from the Department of Revenue, the
 18 commissioner of education shall certify the following to each ~~local~~~~district~~ board
 19 of education:

20 (a) The general tax rate that a ~~local~~~~district~~ board of education could levy under
 21 the provisions of subsection (1) of this section, and the amount of revenue
 22 expected to be produced;

23 (b) The compensating tax rate as defined in KRS 132.010 for a district's general
 24 tax rate the amount of revenue expected to be produced; ***and***

25 (c) The general tax rate which will produce, respectively, no more revenue from
 26 real property, exclusive of revenue from new property, than four percent (4%)
 27 over the amount of revenue produced by the compensating tax rate defined in

1 KRS 132.010, and the amount of revenue expected to be produced.

2 (4) Upon completion of action on property assessment data, the Department of
3 Revenue shall submit certified property assessment data as required in KRS
4 133.125 to the chief state school officer.

5 (5) Within thirty (30) days after the local~~[district]~~ board of education has received its
6 assessment data, the rates levied shall be forwarded to the Kentucky Board of
7 Education for its approval or disapproval. The failure of the local~~[district]~~ board of
8 education to furnish the rates within the time prescribed shall not invalidate any
9 levy made thereafter.

10 (6) (a) Each local~~[district]~~ board of education shall, on or before January 31 of each
11 calendar year, formally and publicly examine detailed line item estimated
12 revenues and proposed expenditures for the subsequent fiscal year. On or
13 before May 30 of each calendar year, each local~~[district]~~ board of education
14 shall adopt a tentative working budget which shall include a minimum reserve
15 of two percent (2%) of the total budget.

16 (b) Each local~~[district]~~ board of education shall submit to the Kentucky Board of
17 Education no later than September 30, a close estimate or working budget
18 which shall conform to the administrative regulations prescribed by the
19 Kentucky Board of Education.

20 (7) (a) A local board of education proposing to levy a general tax rates shall make
21 the following information public:

22 1. The general tax rate levied in the preceding year and the revenue
23 produced by that rate;

24 2. The proposed tax rate for the current year and the revenue expected to
25 be produced by that rate;

26 3. A clear explanation if the proposed tax rate is expected to produce
27 more or less revenue generated for the school district than received

1 from the general tax rate in the preceding year and the general areas
 2 to which any increase in revenue will be allocated;

3 4. A specific reference to this section and Section 70 of this Act, along
 4 with a statement as to whether any portion of the proposed tax rate, if
 5 adopted, would be subject to recall; and

6 5. A statement to the effect that the General Assembly has required
 7 publication of the information contained herein.

8 (b) To make the information in paragraph (a) of this subsection public, the
 9 local board of education:

10 1. Shall publish the information for at least two (2) consecutive weeks on
 11 the home page of its website and in the newspaper of largest
 12 circulation in the county in a display type advertisement of not less
 13 than twelve (12) column inches;

14 2. Shall read the information into the record of the school board meeting
 15 in which the general tax rate is adopted;

16 3. Shall post the information on its social media platforms; and

17 4. May issue a notice containing the information to the editor of all print
 18 media.

19 **(8)** (a) Except as provided in subsections ~~(10)~~~~(9)~~ and ~~(9)~~~~(10)~~ of this section and
 20 KRS 157.440, a local~~district~~ board of education proposing to levy a general
 21 tax rate within the limits of subsection (1) of this section which
 22 exceeds~~exceed~~ the compensating tax rate defined in KRS 132.010 shall hold
 23 a public hearing to hear comments from the public regarding the proposed tax
 24 rate. The hearing shall be held in the principal office of the taxing district or,
 25 in the event the taxing district does not have a~~has no office, or the office is~~
 26 ~~not~~ suitable office to hold the~~for such a~~ hearing, the hearing shall be held
 27 in a suitable facility as near as possible to the geographic center of the district.

- 1 (b) The local~~[district]~~ board of education shall **include the following information**
 2 **in the publication required in subsection (7) of this section and**
 3 **advertisement of**~~[advertise]~~ the hearing~~[by causing the following to be~~
 4 ~~published at least twice for two (2) consecutive weeks, in the newspaper of~~
 5 ~~largest circulation in the county, a display type advertisement of not less than~~
 6 ~~twelve (12) column inches]:~~
- 7 1. ~~[The general tax rate levied in the preceding year, and the revenue~~
 8 ~~produced by that rate;~~
 - 9 2. ~~The general tax rate for the current year, and the revenue expected to be~~
 10 ~~produced by that rate;~~
 - 11 3. ~~The compensating general tax rate, and the revenue expected from it;~~
 - 12 2.~~[4.]~~ ~~The revenue expected from new property and personal property;]~~
 - 13 5. ~~The general areas to which revenue in excess of the revenue produced in~~
 14 ~~the preceding year is to be allocated;]~~
 - 15 3.~~[6.]~~ ~~A time and place for the public hearing which shall be held not less than~~
 16 ~~seven (7) days nor more than ten (10) days after the day that the second~~
 17 ~~advertisement is published; **and**~~
 - 18 4.~~[7.]~~ ~~The purpose of the hearing[; and~~
 - 19 8. ~~A statement to the effect that the General Assembly has required~~
 20 ~~publication of the advertisement and the information contained herein].~~
- 21 (c) In lieu of the two (2) published notices **in the newspaper**, a single notice
 22 containing the required information **required by subsection (7) of this section**
 23 **and paragraph (b) of this subsection** may be sent by first-class mail to each
 24 person owning real property, addressed to the property owner at his residence
 25 or principal place of business as shown on the current year property tax roll.
- 26 (d) The hearing shall be open to the public. All persons desiring to be heard shall
 27 be given an opportunity to present oral testimony. The local~~[district]~~ board of

1 education may set reasonable time limits for testimony.

2 ~~(9)~~~~(8)~~ (a) That portion of a general tax rate, except as provided in subsections
3 ~~(10)~~~~(9)~~ and ~~(11)~~~~(10)~~ of this section, KRS 157.440, and KRS 157.621,
4 levied by an action of a local~~district~~ board of education which will produce,
5 respectively, revenue from real property, exclusive of revenue from new
6 property, more than four percent (4%) over the amount of revenue produced
7 by the compensating tax rate defined in KRS 132.010, shall be subject to a
8 recall vote or reconsideration by the local~~district~~ board of education as
9 provided for in KRS 132.017, and shall be advertised as provided for in
10 **subsection (7) of this section and** paragraph (b) of this subsection.

11 (b) The local~~district~~ board of education shall, within seven (7) days following
12 adoption of an ordinance, order, resolution, or motion to levy a general tax
13 rate, except as provided in subsections ~~(10)~~~~(9)~~ and ~~(11)~~~~(10)~~ of this section
14 and KRS 157.440, which will produce revenue from real property, exclusive
15 of revenue from new property as defined in KRS 132.010, more than four
16 percent (4%) over the amount of revenue produced by the compensating tax
17 rate defined in KRS 132.010, cause the following to be published, **on the**
18 **home page of its website and** in the newspaper of largest circulation in the
19 county, a display type advertisement of not less than twelve (12) column
20 inches:

- 21 1. The fact that the local~~district~~ board of education has adopted such a
22 rate;
- 23 2. The fact that the part of the rate which will produce revenue from real
24 property, exclusive of new property as defined in KRS 132.010, in
25 excess of four percent (4%) over the amount of revenue produced by the
26 compensating tax rate defined in KRS 132.010 is subject to recall; and
- 27 3. The name, address, and telephone number of the county clerk of the

1 county or urban-county in which the school district is located, with a
 2 notation to the effect that that official can provide the necessary
 3 information about the petition required to initiate recall of the tax rate.

4 ~~(10)~~~~(9)~~ (a) Notwithstanding any statutory provisions to the contrary, effective for
 5 school years beginning after June 30, 1990, the board of education of each
 6 school district shall levy a minimum equivalent tax rate of thirty cents (\$0.30)
 7 for general school purposes. Equivalent tax rate is defined as the rate which
 8 results when the income collected during the prior year from all taxes levied
 9 by the local~~district~~ for school purposes is divided by the total assessed value
 10 of property plus the assessment for motor vehicles certified by the Department
 11 of Revenue. School districts collecting school taxes authorized by KRS
 12 160.593 to 160.597, 160.601 to 160.617~~160.633~~, or 160.635 to 160.648 for
 13 less than twelve (12) months during a school year shall have included in
 14 income collected under this section the pro rata tax collection for twelve (12)
 15 months.

16 (b) Failure of a board to comply with paragraph (a) of this subsection may
 17 constitute a forfeiture of office by its members pursuant to KRS 415.050 and
 18 415.060.

19 ~~(11)~~~~(10)~~ A local~~district~~ board of education may levy a general tax rate that will
 20 produce revenue from real property, exclusive of revenue from new property, that is
 21 four percent (4%) over the amount of the revenue produced by the compensating
 22 tax rate as defined in KRS 132.010.

23 ➔Section 72. KRS 157.440 is amended to read as follows:

24 (1) (a) Notwithstanding any statutory provisions to the contrary, effective for school
 25 years beginning after July 1, 1990, the board of education of each school
 26 district may levy an equivalent tax rate as defined in subsection ~~(10)~~~~(9)~~(a) of
 27 KRS 160.470 which will produce up to fifteen percent (15%) of those

1 revenues guaranteed by the program to support education excellence in
2 Kentucky. The levy for the 1990-91 school year shall be made no later than
3 October 1, 1989, and no later than October 1, 1990, for the 1991-92 school
4 year, and by October 1 of each odd-numbered year thereafter. Effective with
5 the 1990-91 school year, revenue generated by this levy shall be equalized at
6 one hundred fifty percent (150%) of the statewide average per pupil
7 assessment.

8 (b) To participate in the Facilities Support Program of Kentucky, the board of
9 education of each school district shall commit at least an equivalent tax rate of
10 five cents (\$0.05) to debt service, new facilities, or major renovations of
11 existing school facilities, or the purchase of land if approved by the
12 commissioner of education as provided in KRS 157.420(4)(b). The five cents
13 (\$0.05) shall be in addition to the thirty cents (\$0.30) required by KRS
14 160.470~~(10)(9)~~ and any levy pursuant to paragraph (a) of this subsection.
15 The levy shall be made no later than October 1 of each odd-numbered year.
16 Eligibility for equalization funds for the biennium shall be based on the
17 district funds committed to debt service on that date. The five cents (\$0.05)
18 shall be equalized at one hundred fifty percent (150%) of the statewide
19 average per pupil assessment. The equalization funds shall be committed to
20 debt service to the greatest extent possible, but any excess equalization funds
21 not needed for debt service shall be deposited to a restricted building fund
22 account. The funds may be escrowed for future debt service or used to address
23 categorical priorities listed in the approved facilities plan pursuant to KRS
24 157.420.

25 (c) The board of education of each school district may contribute the levy
26 equivalent tax rate of five cents (\$0.05) and equalization funds for energy
27 conservation measures under guaranteed energy savings contracts pursuant to

- 1 KRS 45A.345, 45A.352, and 45A.353. Use of these funds, as provided under
2 KRS 45A.353, 56.774, and 58.600 shall be based on the following guidelines:
- 3 1. Energy conservation measures shall include facility alteration;
 - 4 2. Energy conservation measures shall be identified in the district's
5 approved facility plan pursuant to KRS 157.420;
 - 6 3. The current facility systems are consuming excess maintenance and
7 operating costs;
 - 8 4. The savings generated by the energy conservation measures are
9 guaranteed;
 - 10 5. The levy equivalent tax rate of five cents (\$0.05) and equalization funds
11 contributed to the energy conservation measures shall be defined as
12 capital cost avoidance as provided in KRS 45A.345(2) and shall be
13 subject to the restrictions on usage as specified in KRS 45A.352(9); and
 - 14 6. The equipment that is replaced has exceeded its useful life as
15 determined by a life cycle cost analysis.
- 16 (d) The rate levied by a local~~district~~ board of education under the provisions of
17 this subsection shall not be subject to the public hearing provisions of KRS
18 160.470~~(8)~~~~(7)~~ or to the recall provisions of KRS 160.470~~(9)~~~~(8)~~.
- 19 (e) A school district which is at or above the equivalent tax rates permitted under
20 the provisions of the Kentucky Education Reform Act of 1990, 1990 Ky. Acts
21 ch. 476, shall not be required to levy an equivalent tax rate which is lower
22 than the rate levied during the 1989-90 school year.
- 23 (2) (a) A district may exceed the maximum provided by subsection (1) of KRS
24 160.470 provided that, upon request of the board of education of the school
25 district, the county board of elections shall submit to the qualified voters of
26 the district, in the manner of submitting and voting as prescribed in paragraph
27 (b) of this subsection, the question whether a rate which would produce

1 revenues in excess of the maximum provided by subsection (1) of KRS
2 160.470 shall be levied. The rate that may be levied under this section may
3 produce revenue up to no more than thirty percent (30%) of the revenue
4 guaranteed by the program to support education excellence in Kentucky plus
5 the revenue produced by the tax authorized by this section. Revenue produced
6 by this levy shall not be equalized with state funds. If a majority of those
7 voting on the question favor the increased rate, the tax levying authority shall,
8 when the next tax rate for the district is fixed, levy a rate not to exceed the rate
9 authorized by the voters.

10 (b) The election shall be held not less than fifteen (15) or more than thirty (30)
11 days from the time the request of the board is filed with the county clerk, and
12 reasonable notice of the election shall be given. The election shall be
13 conducted and carried out in the school district in all respects as required by
14 the general election laws and shall be held by the same officers as required by
15 the general election laws. The expense of the election shall be borne by the
16 school district.

17 (3) For the 1966 tax year and for all subsequent years for levies which were approved
18 prior to December 8, 1965, no local~~district~~ board of education shall levy a tax at a
19 rate under the provisions of this section which exceeds the compensating tax rate as
20 defined in KRS 132.010, except as provided in subsection (4) of this section and
21 except that a rate which has been approved by the voters under this section but
22 which was not levied by the local~~district~~ board of education in 1965 may be
23 levied after it has been reduced to the compensating tax rate as defined in KRS
24 132.010, and except that in any school district where the rate levied in 1965 was
25 less than the maximum rate which had been approved by the voters, the
26 compensating tax rate shall be computed and may be levied as though the
27 maximum approved rate had been levied in 1965 and the amount of revenue which

1 would have been produced from such maximum levy had been derived therefrom.

2 (4) Notwithstanding the limitations contained in subsection (3) of this section, no tax
3 rate shall be set lower than that necessary to provide such funds as are required to
4 meet principal and interest payments on outstanding bonded indebtedness and
5 payments of rentals in connection with any outstanding school revenue bonds
6 issued under the provisions of KRS Chapter 162.

7 (5) The chief state school officer shall certify the compensating tax rate to the levying
8 authorities.

9 ➔Section 73. KRS 160.473 is amended to read as follows:

10 (1) In the event that a general tax rate applicable to real property levied by a
11 local~~[district]~~ board of education will produce a percentage increase in revenue
12 from personal property less than the percentage increase in revenue from real
13 property, the local~~[district]~~ board of education may levy a general tax rate
14 applicable to personal property which will produce the same percentage increase in
15 revenue from personal property as the percentage increase in revenue from real
16 property; however, in no event shall the general tax rate levied by the local~~[district]~~
17 board of education applicable to personal property exceed the~~[prior year]~~ general
18 tax rate applicable to personal property levied by the respective local~~[district]~~ board
19 of education for the January 1, 2026, assessment date.

20 (2) The general tax rate applicable to personal property levied by a local~~[district]~~ board
21 of education under the provisions of subsection (1) of this section shall not be
22 subject to the public hearing provisions of KRS 160.470~~(8)~~~~(7)~~ and to the recall
23 provisions of KRS 160.470~~(9)~~~~(8)~~.

24 ➔Section 74. KRS 160.607 is amended to read as follows:

25 (1) The school tax authorized by KRS 160.482 to 160.488 and 160.605 shall be at a
26 single uniform rate not to exceed one-half of one percent (0.5%) and shall continue
27 from year to year until changed as prescribed in KRS 160.635 and 160.484.

1 (2) Any county having three hundred thousand (300,000) or more inhabitants is
 2 authorized to increase the school tax rate to exceed the maximum set in subsection
 3 (1) of this section by one-quarter of one percent (0.25%) **before the effective date**
 4 **of this section of this Act.**

5 **(3) Beginning on or after January 1, 2026:**

6 **(a) A school tax is not authorized to be imposed under KRS 160.482 to 160.488**
 7 **and 160.605 in a school district that does not already have one imposed;**
 8 **and**

9 **(b) The rate of a school tax imposed under KRS 160.482 to 160.488 and**
 10 **160.605 shall never increase.**

11 ➔Section 75. KRS 160.613 is amended to read as follows:

12 (1) There is hereby authorized a utility gross receipts license tax for schools not to
 13 exceed three percent (3%) of the gross receipts derived from the furnishing, within
 14 the district, of utility services, except that "gross receipts" shall not include amounts
 15 received for furnishing:

16 (a) Energy or energy-producing fuels to a person engaged in manufacturing or
 17 industrial processing as provided in subsection (3) or (4) of this section, if that
 18 person provides the utility services provider with a copy of its utility gross
 19 receipts license tax energy direct pay authorization, as provided in subsection
 20 (3) of this section, and the utility service provider retains a copy of the
 21 authorization in its records;

22 (b) Utility services which are to be resold; or

23 (c) Notwithstanding subsection (2) of this section, electricity used or consumed at
 24 a colocation facility in commercial mining of cryptocurrency:

25 1. If the facility operator provides the utility services provider with a copy
 26 of its utility gross receipts license tax exemption certificate, as
 27 authorized by subsection (6) of this section, and the utility service

- 1 provider retains a copy of the exemption certificate in its records; or
- 2 2. If the utility service provider is a governmental agency, the facility
- 3 operator shall retain the exemption certificate in its records.

4 **(2) Beginning on or after January 1, 2026:**

5 **(a) A utility gross receipts license tax is not authorized to be imposed in a**

6 **school district that does not already have one imposed; and**

7 **(b) The rate of a utility gross receipts license tax imposed under this section**

8 **shall never increase.**

9 ~~(3)~~ If any user of utility services purchases the utility services directly from any

10 supplier who is exempt either by state or federal law from the utility gross receipts

11 license tax, then the user of the utility services, if the tax has been levied in the

12 user's school district, shall be liable for the tax and shall register with and pay

13 directly to the department, in accordance with the provisions of KRS 160.615, a

14 utility gross receipts license tax for schools computed by multiplying the gross cost

15 of all utility services received by the tax rate levied under the provisions of this

16 section.

17 ~~(4)~~ A person engaged in manufacturing or industrial processing whose cost of

18 energy or energy-producing fuels used in the course of manufacturing or industrial

19 processing exceeds an amount equal to three percent (3%) of the cost of production

20 may apply to the department for a utility gross receipts license tax energy direct pay

21 authorization. Cost of production shall be computed on the basis of a plant facility,

22 which shall include all operations within the continuous, unbroken, integrated

23 manufacturing or processing production process that ends with a product packaged

24 and ready for sale. If the person receives confirmation of eligibility from the

25 department, the person shall:

26 (a) Provide the utility services provider with a copy of the utility gross receipts

27 license tax energy direct pay authorization issued by the department for all

1 purchases of energy and energy-producing fuels; and

2 (b) Report and pay directly to the department, in accordance with the provisions
3 of KRS 160.615, the utility gross receipts license tax due.

4 ~~(5)~~~~(4)~~ A person who performs a manufacturing or industrial processing activity for a
5 fee and does not take ownership of the tangible personal property that is
6 incorporated into, or becomes the product of, the manufacturing or industrial
7 processing activity is a toller. For periods on or after July 1, 2018, the costs of the
8 tangible personal property shall be excluded from the toller's cost of production at a
9 plant facility with tolling operations in place as of July 1, 2018.

10 ~~(6)~~~~(5)~~ For plant facilities that begin tolling operations after July 1, 2018, the costs of
11 tangible personal property shall be excluded from the toller's cost of production if
12 the toller:

13 (a) Maintains a binding contract for periods after July 1, 2018, that governs the
14 terms, conditions, and responsibilities with a separate legal entity, which
15 holds title to the tangible personal property that is incorporated into, or
16 becomes the product of, the manufacturing or industrial processing activity;

17 (b) Maintains accounting records that show the expenses it incurs to fulfill the
18 binding contract that include but are not limited to energy or energy-
19 producing fuels, materials, labor, procurement, depreciation, maintenance,
20 taxes, administration, and office expenses;

21 (c) Maintains separate payroll, bank accounts, tax returns, and other records that
22 demonstrate its independent operations in the performance of its tolling
23 responsibilities;

24 (d) Demonstrates one (1) or more substantial business purposes for the tolling
25 operations germane to the overall manufacturing, industrial processing
26 activities, or corporate structure at the plant facility. A business purpose is a
27 purpose other than the reduction of utility gross receipts license tax liability

1 for the purchases of energy and energy-producing fuels; and
 2 (e) Provides information to the department upon request that documents
 3 fulfillment of the requirements in paragraphs (a) to (d) of this subsection and
 4 gives an overview of its tolling operations with an explanation of how the
 5 tolling operations relate and connect with all other manufacturing or industrial
 6 processing activities occurring at the plant facility.

7 ~~(Z)(6)~~ (a) The operator of a colocation facility primarily engaged in the
 8 commercial mining of cryptocurrency may apply to the department for a
 9 utility gross receipts license tax exemption certificate. If the operator receives
 10 confirmation of eligibility from the department, it:

- 11 1. Shall provide the utility services provider with a copy of the utility gross
 12 receipts license tax exemption certificate issued by the department for
 13 all purchases of electricity; or
- 14 2. Keep the certificate on file if the utility service provider is a
 15 governmental agency.

16 (b) The utility gross receipts license tax exemption shall be effective from the
 17 date of confirmation of eligibility until June 30, 2030.

18 ➔Section 76. KRS 160.483 is amended to read as follows:

19 (1) (a) The license fees imposed under KRS 160.482 to 160.488 on businesses,
 20 trades, occupations, and professions shall be at a single, uniform percentage
 21 rate not to exceed one-half of one percent (0.5%) of:

22 1.(a) Salaries, wages, and commissions, and other compensations
 23 earned by persons within the county for work done and services
 24 performed or rendered in the county; and

25 2.(b) The net profits of all businesses, trades, occupations, and
 26 professions, for activities conducted in the county.

27 **(b) Beginning on or after January 1, 2026:**

1 1. A school tax is not authorized to be imposed under KRS 160.482 to
 2 160.488 and 160.605 in a school district that does not already have
 3 one imposed; and

4 2. The rate of a school tax imposed under KRS 160.482 to 160.488 and
 5 160.605 shall never increase.

6 (2) The license fees, once imposed, shall continue from year to year until changed as
 7 prescribed in KRS 160.484.

8 (3) ~~No public service company which pays an ad valorem tax is required to pay a~~
 9 ~~license fee.~~

10 ~~(4)~~(a) It is the intent of the General Assembly to continue the exemption from local
 11 license fees and occupational taxes that existed on January 1, 2006, for
 12 providers of multichannel video programming services or communications
 13 services as defined in KRS 136.602 that were taxed under KRS 136.120 prior
 14 to January 1, 2006.

15 (b) To further this intent, no company providing multichannel video
 16 programming services or communications services as defined in KRS 136.602
 17 shall be required to pay a license fee. If only a portion of an entity's business
 18 is providing multichannel video programming services or communications
 19 services, including products or services that are related to and provided in
 20 support of the multichannel video programming services or communications
 21 services, this exclusion applies only to that portion of the business that
 22 provides multichannel video programming services or communications
 23 services, including products or services that are related to and provided in
 24 support of the multichannel video programming services or communications
 25 services.

26 ~~(4)~~~~(5)~~ No license fee shall be imposed upon or collected from:

27 (a) Any bank, trust company, combined bank and trust company, combined trust,

- 1 banking and title business in this state;
- 2 (b) Any savings and loan association whether state or federally chartered;
- 3 (c) Any income received by members of the Kentucky National Guard for active
4 duty training, unit training assemblies, and annual field training; ~~or~~
- 5 (d) Any income received by precinct workers for election training or work at
6 election booths in state, county, and local primary, regular, or special
7 elections;

8 **(e) A public service company which pays an ad valorem tax; or**

9 **(f) Any individual who is not a resident of the county of the tax-levying**
10 **authority imposing the tax.**

11 ~~(6) No license tax shall be collected from any individual who is not a resident of the~~
12 ~~county of the tax-levying authority imposing the tax.]~~

13 ~~(5)~~~~(7)~~ Pursuant to this section, no tax-levying authority shall regulate any aspect of
14 the manner in which any duly ordained, commissioned, or denominationally
15 licensed minister of religion may perform his or her duties and activities as a
16 minister of religion. Duly ordained, commissioned, or denominationally licensed
17 ministers of religion shall be subject to the same license fees imposed on others by
18 the tax-levying authority on salaries, wages, commissions, and other compensation
19 earned for work done and services performed or rendered.

20 ➔Section 77. KRS 160.484 is amended to read as follows:

21 (1) Except as provided in subsections (2), (3), and (4) **of this section** the fiscal court
22 has discretion to impose or not impose the license fees authorized by KRS 160.482
23 to 160.488 at a percentage rate, not to exceed one-half of one percent (0.5%),
24 determined by the fiscal court. A fiscal court shall not proceed under this subsection
25 without first giving all boards of education in the county thirty (30) days notice of
26 its intention.

27 (2) If one (1) or more boards of education of school districts within the county which

1 contain at least ninety percent (90%) of county's inhabitants, in the same calendar
 2 year certify to the fiscal court requests for a license fee at an identical percentage
 3 rate, not to exceed one-half of one percent (0.5%), then the fiscal court shall impose
 4 such license fees at the requested rate.

5 (3) Any license fees imposed under subsection~~[subsections]~~ (1) or (2) ***of this section***
 6 shall remain in full effect from year to year until all boards of education within the
 7 county have certified to the fiscal court requests for a reduction in the percentage
 8 rate theretofore imposed. Thereafter, the fiscal court shall reduce the rate to the
 9 highest rate certified as yet necessary by any ***local*** board of education in the county.
 10 The fiscal court may require each ***local*** board of education to make no more than
 11 one (1) certificate annually.

12 (4) ***Beginning on or after January 1, 2026:***

13 ***(a) A school tax is not authorized to be imposed under KRS 160.482 to 160.488***
 14 ***and 160.605 in a school district that does not already have one imposed;***
 15 ***and***

16 ***(b) The rate of a school tax imposed under KRS 160.482 to 160.488 and***
 17 ***160.605 shall never increase***~~[In any calendar year in which one (1) or more
 18 boards of education of school districts containing at least ninety percent
 19 (90%) of the county's inhabitants make a certification pursuant to subsection
 20 (2) for a rate which is at a higher percentage than any currently imposed, the
 21 fiscal court shall impose the license fee at the higher rate and any rate
 22 imposed pursuant to subsections (1), (2), or (3) shall be rescinded upon the
 23 date the new rate takes effect].~~

24 ➔Section 78. KRS 160.505 is amended to read as follows:

25 KRS 160.500 to the contrary notwithstanding, if a tax authorized by KRS 160.593 to
 26 160.597, 160.601 to ***160.617***~~[160.633]~~, and 160.635 to 160.648 shall be collected by a
 27 ***local*** board of education, the ***local*** board of education shall appoint a person who shall be

1 responsible for collection and administration of such tax. If one (1) or more boards of
 2 education agree in writing to levy identical taxes authorized by the statutes mentioned
 3 hereinabove, the boards of education so agreeing shall jointly appoint a person who shall
 4 be responsible for collection and administration of such tax as provided for in KRS
 5 160.593(2). The position may be full-time or part-time and his compensation shall be
 6 fixed by the board and/or boards of education. The bond of this person shall be made to
 7 cover his duties as tax collector.

8 ➔Section 79. KRS 160.593 is amended to read as follows:

9 (1) Any board of education of a school district may, after compliance with the public
 10 hearing requirement contained in KRS 160.603, levy school taxes authorized by
 11 KRS 160.593 to 160.597, 160.601 to 160.617~~160.633~~, and 160.635 to 160.648.

12 The imposition of any tax levied under the provisions of 160.593 to 160.597,
 13 160.601 to 160.617~~160.633~~, and 160.635 to 160.648 shall be limited to the
 14 territory of the school district except as provided in subsection (2) of this section.

15 (2) Two (2) or more boards of education may agree in writing to levy identical school
 16 taxes authorized by KRS 160.605 to 160.611 and~~;~~ 160.613 to 160.617~~;~~ ~~and~~
 17 ~~160.621 to 160.633~~. After the levying in each district so agreeing of a tax under the
 18 terms of such agreement, the receipts from said tax shall be held in a common fund
 19 and disbursed therefrom to each district on the basis of average daily attendance, as
 20 set forth in KRS 160.644. Any districts levying taxes under the terms of such an
 21 agreement shall be deemed to constitute a combined taxing district for the purposes
 22 of reference in KRS Chapter 160.

23 ➔Section 80. KRS 160.597 is amended to read as follows:

24 Any school tax authorized by KRS 160.593 to 160.597, 160.601 to 160.617~~160.633~~,
 25 and 160.635 to 160.648 may be recalled as follows:

26 (1) (a) The order or resolution levying any of the school taxes designated in this
 27 section shall go into effect not less than forty-five (45) days nor more than

1 ninety (90) days after its passage.

2 (b) During the forty-five (45) days immediately following the passage of the
3 order or resolution, any five (5) qualified voters who reside in the school
4 district levying the tax may commence petition proceedings to protest the
5 passage of the order or resolution by filing with the county clerk an affidavit
6 stating that they constitute the petition committee and that they will be
7 responsible for circulating the petition and filing it in the proper form within
8 forty-five (45) days from the passage of the order or resolution. The affidavit
9 shall state their names and addresses and specify the address to which all
10 notices to the committee are to be sent. Upon receipt of the affidavit, the
11 county clerk shall:

12 1. At the time of filing of the affidavit, notify the petition committee of all
13 statutory requirements for the filing of a valid petition under this
14 section;

15 2. At the time of the filing of the affidavit, notify the petition committee
16 that the clerk will publish a notice identifying the tax levy being
17 challenged and providing the names and addresses of the petition
18 committee in a newspaper of general circulation within the county, if
19 such publication exists, if the petition committee remits an amount equal
20 to the cost of publishing the notice determined in accordance with the
21 provisions of KRS 424.160 at the time of the filing of the affidavit. If
22 the petition committee elects to have the notice published, the clerk shall
23 publish the notice within five (5) days of receipt of the affidavit; and

24 3. Deliver a copy of the affidavit to the local board of education~~[school~~
25 ~~board]~~ or combined taxing district.

26 (c) The petition shall be filed with the county clerk within forty-five (45) days of
27 the passage of the order or resolution. All papers of the petition shall be

1 uniform in size and style and shall be assembled in one (1) instrument for
2 filing. Each sheet of the petition shall contain the names of voters from one
3 (1) voting precinct only, and shall include the name, number and designation
4 of the precinct in which the voters signing the petition live. The inclusion of
5 an invalid signature on a page shall not invalidate the entire page of the
6 petition, but shall instead result in the invalid signature being stricken and not
7 counted. Each signature shall be executed in ink or indelible pencil and shall
8 be followed by the printed name, street address, and Social Security number
9 or birthdate of the person signing. The petition shall be signed by a number of
10 registered and qualified voters residing in the affected jurisdiction equal to at
11 least ten percent (10%) of the total number of votes cast in the last preceding
12 presidential election, except in consolidated local governments, where the
13 petition shall be signed by a number of registered and qualified voters equal to
14 at least five percent (5%) of the total number of votes cast in the last
15 preceding presidential election.

16 (d) Upon the filing of the petition with the county clerk, the order or resolution
17 shall be suspended from going into effect for that district until after the
18 election provided for in subsection (2) of this section is held, or until the
19 petition is finally determined to be insufficient and no further action may be
20 taken pursuant to paragraph (h) of this subsection.

21 (e) The county clerk shall immediately notify the local board of
22 education~~[school board]~~ or combined taxing district that the petition has been
23 received and shall, within thirty (30) days of receipt of the petition, make a
24 determination of whether the petition contains enough signatures of qualified
25 voters to place the order or resolution before the voters.

26 (f) If the county clerk finds the petition to be sufficient, the clerk shall certify to
27 the local board of education~~[school board]~~ or combined taxing district and

1 the petition committee within the thirty (30) day period provided for in
2 paragraph (e) of this subsection, that the petition is properly presented and in
3 compliance with the provisions of this section, and that the order or resolution
4 levying the tax will be placed before the voters for approval.

5 (g) If the county clerk finds the petition to be insufficient, the clerk shall, within
6 the thirty (30) day period provided for in paragraph (e) of this subsection,
7 notify, in writing, the petition committee and the school district or combined
8 taxing district levying the tax of the specific deficiencies found. Notification
9 shall be sent by certified mail, and shall be published at least one (1) time in a
10 newspaper of general circulation within the county containing the school
11 district levying the tax or, if there is no such newspaper, shall be posted at the
12 courthouse door.

13 (h) A final determination of the sufficiency of a petition shall be subject to final
14 review by the Circuit Court of the county in which the school district is
15 located, and shall be limited to the validity of the county clerk's
16 determination. Any petition challenging the county clerk's final determination
17 shall be filed within ten (10) days of the issuance of the clerk's final
18 determination.

19 (2) If the petition is sufficient, the county clerk shall, at the option of the ~~local~~^{local} district
20 board of education, either submit the question to the voters of the school district at
21 the next regular election or submit the question to the voters of the school district at
22 a called common school election, which is to be held not less than thirty-five (35)
23 days nor more than forty-five (45) days from the date the signatures on the petition
24 are validated by the county clerk. Any called common school election shall comply
25 with the provisions of KRS 118.025. If the election is to be held in conjunction with
26 a regular election, the question shall be submitted to the county clerk not later than
27 the second Tuesday in August preceding the regular election. The question shall be

1 so framed that the voter may by his vote answer, "for" or "against." If a majority of
 2 the votes cast in a district or combined taxing district upon the question oppose its
 3 passage, the order or resolution shall not go into effect in that district or combined
 4 taxing district. If a majority of the votes cast in a district or combined taxing district
 5 upon the question favor its passage, the order or resolution shall go into effect in
 6 that district. If the election is to be held in more than one (1) school district within a
 7 county, the votes shall be counted separately. The cost of a called common school
 8 election shall be borne by the school district causing the election to be held.

9 (3) If any statute in existence on June 17, 1978, is found to be in conflict with any
 10 provision of this section, the provisions of this section shall prevail.

11 ➔Section 81. KRS 160.601 is amended to read as follows:

12 The school taxes authorized by KRS 160.605 to 160.611 and 160.613 to 160.617, ~~and~~
 13 ~~160.621 to 160.633~~ shall be known as an occupational license tax for schools and a
 14 utility gross receipts tax for schools, ~~and an excise tax for schools~~ as set out in the
 15 following sections.

16 ➔Section 82. KRS 160.603 is amended to read as follows:

17 No local ~~school district~~ board of education shall levy any of the school taxes authorized
 18 by KRS 160.593 to 160.597, 160.601 to 160.617 ~~160.633~~, and 160.635 to 160.648,
 19 except the levy required by KRS 160.614(3) and (6), until after compliance with the
 20 following:

21 (1) The local ~~school district~~ board of education desiring to levy any one (1) of these
 22 taxes shall give notice of any proposed levy of one (1) of the school taxes.
 23 Notwithstanding any statutory provisions to the contrary, notice shall be given by
 24 causing to be published, at least one (1) time in a newspaper of general circulation
 25 published in the county or by posting at the courthouse door if there be no such
 26 newspaper, the fact that such levy is being proposed. The advertisement shall state
 27 that the local ~~district~~ board of education will meet at a place and on a day fixed in

1 the advertisement, not earlier than one (1) week and not later than two (2) weeks
2 from the date of the advertisement, for the purpose of hearing comments and
3 complaints regarding the proposed increase and explaining the reasons for such
4 proposal.

5 (2) The local~~[school district]~~ board of education shall conduct a public hearing at the
6 place and on the date advertised for the purpose of hearing comments and
7 complaints regarding the proposed levy and explaining the reasons for such
8 proposal.

9 (3) In the event that a combined taxing district desires to levy any one (1) of these
10 taxes, the boards of education shall make a joint advertisement and hold a joint
11 hearing in the manner prescribed heretofore for an individual school district.

12 ➔Section 83. KRS 160.614 is amended to read as follows:

13 (1) A utility gross receipts license tax initially levied by a local~~[school district]~~ board
14 of education on or after July 13, 1990, shall be levied on the gross receipts derived
15 from the furnishing of cable service in addition to the gross receipts derived from
16 the furnishing of the utility services defined in KRS 160.6131.

17 (2) A utility gross receipts license tax initially levied by a local~~[school district]~~ board
18 of education prior to July 13, 1990, shall be levied on the gross receipts derived
19 from the furnishing of cable service, in addition to the gross receipts derived from
20 the furnishing of the utility services defined in KRS 160.6131, if the local~~[school
21 district]~~ board of education repeats the notice and hearing requirements of KRS
22 160.603, but only as to the levy of the tax on the gross receipts derived from the
23 furnishing of cable service.

24 (3) A utility gross receipts license tax initially levied by a local~~[school district]~~ board
25 of education on or after July 1, 2005, shall include the gross receipts derived from
26 the furnishing of direct satellite broadcast and wireless cable service in addition to
27 the gross receipts derived from the furnishing of utility services defined in KRS

1 160.6131 and cable service.

2 (4) Any school district that has cable service included in the base of a utility gross
3 receipts tax levied prior to July 1, 2005, shall, as of July 1, 2005, include gross
4 receipts derived from the furnishing of direct satellite broadcast and wireless cable
5 service in the base of its utility gross receipts tax at the same rate as applied to cable
6 service, unless the local~~[school district]~~ board of education chooses to opt out of
7 this requirement by following the procedures set forth in subsection (5) of this
8 section.

9 (5) Any local~~[school district]~~ board of education may elect to opt out of the base
10 expansion required by subsection (4) of this section. However, any district electing
11 to opt out of the provisions of subsection (4) of this section shall also remove from
12 the base of its utility gross receipts tax all gross receipts from the furnishing of
13 cable service. To opt out of the provisions of subsection (4) of this section, a
14 local~~[school district]~~ board of education shall, before May 1, 2005:

15 (a) Determine the amount of revenue that will be lost from removing gross
16 receipts of cable service from the base of the utility gross receipts tax, and
17 how that revenue will be replaced; and

18 (b) Provide written notice of the intent to opt out of the base expansion required
19 by subsection (4) of this section to the Department of Revenue, the
20 Department of Education, all cable service providers operating in the district,
21 and the public.

22 1. Notice to the public shall be accomplished through the publication at
23 least one (1) time in a newspaper of general circulation in the county, or
24 by a posting at the courthouse door if there is no such newspaper, of the
25 fact that the local~~[district]~~ board has elected to opt out of the base
26 expansion required by subsection (4) of this section. The notice shall
27 include the following information:

- 1 a. The amount of revenue that will be lost from removing gross
2 receipts of cable service from the base of the utility gross receipts
3 tax and how that revenue will be replaced; and
- 4 b. The date, time, and location of a meeting of the board, not earlier
5 than one (1) week or later than two (2) weeks from the date of the
6 notice, for the purpose of hearing comments regarding the
7 proposed action of the board, and explaining the reasons for the
8 proposed action.

9 2. The ***local*** board of education shall conduct a public hearing at the place
10 and on the date and time provided in the notice for the purpose of
11 hearing comments regarding the proposed action of the board, and
12 explaining the reasons for the proposed action.

13 (6) A utility gross receipts license tax initially levied by a ***local***~~[school district]~~ board
14 of education on or after July 1, 2009, shall include the gross receipts derived from
15 the furnishing of multichannel video programming service in addition to the gross
16 receipts derived from the furnishing of utility services.

17 (7) Any ***local***~~[school district]~~ board of education that has cable service and direct
18 satellite broadcast and wireless cable service included in the base of a utility gross
19 receipts tax levied prior to July 1, 2009, shall, as of July 1, 2009, include gross
20 receipts derived from the furnishing of Internet protocol television service provided
21 through wireline facilities without regard to delivery technology, in the base of its
22 utility gross receipts tax at the same rate as applied to cable service and direct
23 satellite broadcast and wireless cable service.

24 ➔Section 84. KRS 160.635 is amended to read as follows:

25 School taxes imposed under~~[the provisions of]~~ KRS 160.593 to 160.597, 160.601 to
26 ***160.617***~~[160.633]~~, and 160.635 to 160.648 shall remain in full force and effect from year
27 to year until the ***local*** board of education reduces the rate in effect; however, at the time

1 the tax is first levied the board may set a date on which the tax shall expire.

2 →Section 85. KRS 160.637 is amended to read as follows:

3 ~~[(1) "Requesting school districts" shall mean those school districts for which the~~
4 ~~Department of Revenue is requested to act as tax collector under the authority of~~
5 ~~KRS 160.627(2).~~

6 ~~(2)]~~Reasonable expenses not to exceed the actual costs of collection incurred by any
7 tax collector, except the Department of Revenue, for the administration or collection of
8 the school taxes authorized by KRS 160.605 to 160.611 and ~~[,]~~ 160.613 to 160.617~~[, and~~
9 ~~160.621 to 160.633]~~ shall be reimbursed by the school local~~[district]~~ boards of education
10 on a monthly basis or on the basis agreed upon by the boards of education and the tax
11 collector. The expenses shall be borne by the school districts on a basis proportionate to
12 the revenue received by the districts.

13 ~~[(3) The following shall apply only when the Department of Revenue is acting as tax~~
14 ~~collector under the authority of KRS 160.627(2):~~

15 ~~(a) When the department is initially requested to be the tax collector under KRS~~
16 ~~160.627(2), the department shall estimate the costs of implementing the~~
17 ~~administration of the tax so requested, and shall inform the requesting school~~
18 ~~district of this estimated cost. The requesting school district shall pay to the~~
19 ~~department ten percent (10%) of this estimated cost referred to as "start up~~
20 ~~costs" within thirty (30) days of notification by the department. Subsequent~~
21 ~~requesting school districts shall pay their pro rata share, or ten percent (10%),~~
22 ~~whichever is less, of the unpaid balance of the initial "start up costs" until the~~
23 ~~department has fully recovered the costs. The payment shall be made within~~
24 ~~thirty (30) days of notification by the department.~~

25 ~~(b) The Department of Revenue shall also be reimbursed by each school district~~
26 ~~for its proportionate share of the actual operational expenses incurred by the~~
27 ~~department in collecting the excise tax. The expenses, which shall be~~

1 ~~deducted by the Department of Revenue from payments to school districts~~
2 ~~made under the provisions of KRS 160.627(2), shall be allocated by the~~
3 ~~department to school districts on a basis proportionate to the number of~~
4 ~~returns processed by the Department of Revenue for each district compared to~~
5 ~~the total processed by the Department of Revenue for all districts.~~

6 ~~(c) All funds received by the department under the authority of paragraphs (a)~~
7 ~~and (b) of this subsection shall be deposited into an account entitled the~~
8 ~~"school tax fund account," an account created within the restricted fund group~~
9 ~~set forth in KRS 45.305. The use of these funds shall be restricted to paying~~
10 ~~the department for the costs described in paragraphs (a) and (b) of this~~
11 ~~subsection. This account shall not lapse.~~

12 ~~(d) The department may retain a portion of the school tax revenues collected in a~~
13 ~~special account entitled the "school tax refund account" which is an account~~
14 ~~created within the restricted fund group set forth in KRS 45.305. The sole~~
15 ~~purpose of this account shall be to authorize the Department of Revenue to~~
16 ~~refund school taxes. This account shall not lapse. Refunds shall be made in~~
17 ~~accordance with the provisions in KRS 134.580(6), and when the taxpayer has~~
18 ~~made an overpayment or a payment where no tax was due as defined in KRS~~
19 ~~134.580(7), within four (4) years of payment.~~

20 ~~(e) KRS 160.621 notwithstanding, when the department is acting as tax collector~~
21 ~~under the authority of KRS 160.627(2), the requesting school district may~~
22 ~~enact the tax enumerated in KRS 160.621 only at the following rates: five~~
23 ~~percent (5%), ten percent (10%), fifteen percent (15%), and twenty percent~~
24 ~~(20%) on a school district resident's state individual income tax liability as~~
25 ~~computed under KRS Chapter 141.~~

26 ~~(f) Beginning August 1, 1982, any school district which requests the department~~
27 ~~to collect taxes under the authority of KRS 160.627(2) shall inform the~~

1 department of this request not less than one hundred fifty (150) days prior to
2 January 1.

3 ~~(g) The department shall not be required to collect taxes authorized in KRS
4 160.621 of an individual when the department is not pursuing collection of
5 that individual's state income taxes. The department shall not be required to
6 collect or defend the tax set forth in KRS 160.621 in any board or court of this
7 state.~~

8 ~~(h) Any overpayments of the tax set forth in KRS 141.020 or payments made
9 when no tax was due may be applied to any tax liability arising under KRS
10 160.621 before a refund is authorized to the taxpayer. No individual's tax
11 payment shall be credited to the tax set forth in KRS 160.621 until all
12 outstanding state income tax liabilities of that individual have been paid.~~

13 ~~(i) KRS 160.510 notwithstanding, the State Auditor shall be the only party
14 authorized to audit the Department of Revenue with respect to the
15 performance of its duties under KRS 160.621.]~~

16 ➔Section 86. KRS 160.640 is amended to read as follows:

17 Any person having custody of the proceeds of any school tax authorized by KRS 160.605
18 to 160.611 and 160.613 to 160.617, ~~and 160.621 to 160.633,~~ except the Department
19 of Revenue, shall be required to secure a corporate surety bond in an amount to be set by
20 the Kentucky Board of Education. The cost of the surety bond shall be considered a part
21 of the cost of the administration of the school taxes authorized under KRS 160.605 to
22 160.611 and 160.613 to 160.617, ~~and 160.621 to 160.633.~~

23 ➔Section 87. KRS 160.642 is amended to read as follows:

24 Any person having custody of the proceeds of any school tax authorized by KRS 160.605
25 to 160.611 and 160.613 to 160.617, ~~160.621 to 160.633~~ shall be audited as provided
26 by KRS 156.265 to 156.285.

27 ➔Section 88. KRS 160.644 is amended to read as follows:

1 The school taxes and penalties collected under KRS 160.593 to 160.597, 160.601 to
2 160.617~~[160.633]~~, 160.635 to 160.648 shall be distributed to the treasurer of the board of
3 education of the school district. In the event that more than one (1) **local** board of
4 education within the county is participating in one (1) of these tax levies, the funds
5 collected shall be distributed in proportion to the tax rate levied and the number of pupils
6 in average daily attendance in the participating districts as shown by the final certification
7 by the chief state school officer for the previous school year pursuant to the provisions of
8 KRS 157.310 to 157.440.

9 ➔Section 89. KRS 160.648 is amended to read as follows:

10 (1) Any person, individual, or corporation required by the provisions of KRS 160.605
11 to 160.611~~[and 160.621 to 160.633]~~ to file any return or report or furnish any
12 information requested under the authority of KRS 160.605 to 160.611~~[and 160.621~~
13 ~~to 160.633]~~ who fails to file such return or report or furnish such information on or
14 before the date required shall pay a penalty in the amount of ten dollars (\$10) for
15 each failure.

16 (2) Any person, individual, or corporation who fails to pay, on or before the due date,
17 any school tax authorized by KRS 160.605 to 160.611~~[and 160.621 to 160.633]~~
18 and levied by the **local**~~[district]~~ board of education shall pay a penalty of one
19 percent (1%) per month of the amount of such tax past due until paid.

20 ➔Section 90. KRS 157.621 is amended to read as follows:

21 (1) In addition to the levy required by KRS 157.440(1)(b) to participate in the Facilities
22 Support Program of Kentucky, local school districts that have made the levy
23 required by KRS 157.440(1)(b) are authorized to levy the following additional
24 equivalent rates to support debt service, new facilities, or major renovations of
25 existing school facilities, which levies shall not be subject to recall under any
26 provision of the Kentucky Revised Statutes, or to voter approval under the
27 provisions of KRS 157.440(2):

- 1 (a) 1. Prior to April 24, 2008, local school districts that have experienced
2 student population growth during a five (5) year period may levy an
3 additional five cents (\$0.05) equivalent rate for debt service and new
4 facilities. The tax rate levied by the district under this provision shall not
5 be equalized by state funding, except as provided in paragraph (b) of
6 this subsection. Any levy imposed under this paragraph prior to April
7 24, 2008, by a local school district shall continue until removed by the
8 local school district.
- 9 2. A local school district shall meet the following criteria in order to levy
10 the tax provided in subparagraph 1. of this paragraph:
- 11 a. Growth of at least one hundred fifty (150) students in average
12 daily attendance and three percent (3%) overall growth for the five
13 (5) preceding years;
- 14 b. Bonded debt to the maximum capability of at least eighty percent
15 (80%) of capital outlay from the Support Education Excellence in
16 Kentucky funding program, all revenue from the local facility tax,
17 and all receipts from state equalization on the local facility tax;
- 18 c. Current student enrollment in excess of available classroom space;
19 and
- 20 d. A local school facility plan that has been approved by the
21 Kentucky Board of Education and certified to the School Facilities
22 Construction Commission;
- 23 (b) 1. In addition to the levy authorized by paragraph (a) of this subsection, a
24 local school district may levy an additional five cents (\$0.05) equivalent
25 rate under the same terms and conditions established by paragraph (a) of
26 this subsection beginning in fiscal year 2003-2004 if the levy was made
27 prior to April 24, 2008, and if the local school district:

- 1 a. Levied the five cents (\$0.05) equivalent rate authorized by
2 paragraph (a) of this subsection; and
- 3 b. Still meets the requirements established by paragraph (a)2. of this
4 subsection.
- 5 2. Any school district that imposes both the levy authorized by paragraph
6 (a) of this subsection and the additional levy authorized by subparagraph
7 1. of this paragraph shall receive equalization funding from the state for
8 the levy imposed by paragraph (a) of this subsection beginning in fiscal
9 year 2003-2004. Equalization shall be provided at one hundred fifty
10 percent (150%) of the statewide average per pupil assessment, subject to
11 subsection (6) of this section~~[the provision of funding by the General~~
12 ~~Assembly].~~ Equalization funds shall be used as provided in KRS
13 157.440(1)(b).
- 14 3. Any levy imposed under this paragraph prior to April 24, 2008, by a
15 local school district shall continue until removed by the local school
16 district; and
- 17 (c) 1. A local school district that meets the following conditions may levy an
18 additional five cents (\$0.05) equivalent rate on and after April 24, 2008:
- 19 a. The local school district is located in a county that will have more
20 students as a direct result of the new mission established for Fort
21 Knox by the Base Realignment and Closure (BRAC) 2005 issued
22 by the United States Department of Defense pursuant to the
23 Defense Base Closure and Realignment Act of 1990, Pub. L. No.
24 100-526, Part A of Title XXIX of 104 Stat. 1808, 10 U.S.C. sec.
25 2687 note; and
- 26 b. The commissioner of education has determined, based upon the
27 presentation of credible data, that the projected increased number

1 of students is sufficient to require new facilities or the major
 2 renovation of existing facilities to accommodate the new students,
 3 and has approved the imposition of the additional levy.

4 2. Any local school district that imposes both the levy authorized by
 5 paragraph (a) of this subsection and the additional levy authorized by
 6 subparagraph 1. of this paragraph, and that has not received equalization
 7 funding under subsection (2) or (3) of this section, shall receive
 8 equalization funding from the state for the levy imposed by paragraph
 9 (a) of this subsection beginning in the fiscal year following the fiscal
 10 year in which the levy authorized by subparagraph 1. of this paragraph
 11 is imposed. Equalization shall be provided at one hundred fifty percent
 12 (150%) of the statewide average per pupil assessment, subject to
 13 subsection (6) of this section~~[the provision of funding by the General~~
 14 ~~Assembly].~~ Equalization funds shall be used as provided in KRS
 15 157.440(1)(b).

16 3. Any levy imposed under this paragraph by a local school district shall
 17 continue until removed by the local school district.

18 (2) (a) Any local school district that, prior to April 27, 2016, levied an equivalent rate
 19 that:

- 20 1. Was subject to recall at the time it was levied; and
- 21 2. Included a rate of at least five cents (\$0.05) equivalent rate for the
 22 purpose of debt service for school construction or major renovation of
 23 existing school facilities;

24 shall be eligible for retroactive equalization from the state for that levy at one
 25 hundred fifty percent (150%) of the statewide average per pupil assessment
 26 beginning in fiscal year 2003-2004, subject to subsection (6) of this
 27 section~~[the fiscal condition of the Commonwealth and the provision of~~

1 ~~funding by the General Assembly~~. Equalization funds shall be used as
2 provided in KRS 157.440(1)(b).

3 (b) It is the intent of the General Assembly that for levies described in this
4 subsection that are imposed on or after April 27, 2016, equalization funds, if
5 provided by the General Assembly, shall terminate upon the earlier of June
6 30, 2038, or the date the bonds for the local school district supported by this
7 equalization funding are retired. Equalization shall be subject to subsection
8 (6)(b) and (c) of this section, the fiscal condition of the Commonwealth, and
9 ~~the provision of~~ funding by the General Assembly.

10 (3) Any local school district that:

11 (a) Levied an equivalent tax rate as of April 24, 2008, that included at least ten
12 cents (\$0.10) that was devoted to building purposes, or that had debt service
13 corresponding to a ten cents (\$0.10) equivalent rate;

14 (b) Did not receive equalized growth funding pursuant to subsection (1)(b)2. of
15 this section; and

16 (c) Has been approved by the commissioner of education;

17 shall be eligible for equalization from the state for that levy at one hundred fifty
18 percent (150%) of the statewide average per pupil assessment beginning in fiscal
19 year 2005-2006, subject to subsection (6)(b) and (c) of this section and the
20 provision of funding by the General Assembly. Equalization funds shall be used as
21 provided in KRS 157.440(1)(b). Equalization funds shall be available to a local
22 school district pursuant to this subsection until the earlier of June 30, 2038, or the
23 date the bonds for the local school district supported by this equalization funding
24 are retired.

25 (4) (a) Notwithstanding any other provision of this section, any local school district
26 receiving equalization funding prior to April 27, 2016, related to an equivalent
27 rate levy described in subsection (1), (2), (3), or (5) of this section shall

1 continue to receive the equalization funding related to the applicable
2 equivalent rate levy, subject to subsection (6) of this section, the limitations
3 established by subsections (1), (2), (3), and (5) of this section, ~~and subject to~~
4 the fiscal condition of the Commonwealth, and the provision of funding by
5 the General Assembly, until amended by subsequent action of the General
6 Assembly. A local school district described in this paragraph shall not be
7 eligible to receive equalization for any additional equivalent rate levies made
8 by it on or after April 27, 2016.

9 (b) Notwithstanding any other provision of this section, any local school district
10 that has imposed an equivalent rate levy described in subsection (1)(a) or (b)
11 or (2) of this section prior to April 27, 2016, that qualifies for equalization but
12 that has not yet received equalization funding shall be eligible for equalization
13 funding as provided in subsection (1)(a) or (b) or (2) of this section, subject to
14 subsection (6) of this section ~~the provision of funding by the General~~
15 ~~Assembly~~.

16 (c) On and after April 24, 2008, a local school district not included in paragraph
17 (a) or (b) of this subsection shall be prohibited from imposing an equivalent
18 rate levy under the provisions of subsection (1)(a) or (b) of this section, and
19 shall not be eligible for equalization funding under the provisions of this
20 section.

21 (d) On and after April 24, 2008, a local school district meeting the requirements
22 of subsection (1)(c) of this section may impose the levy authorized by
23 subsection (1)(c) of this section, and shall qualify for equalization as provided
24 in subsection (1)(c) of this section, subject to subsection (6) of this
25 section ~~the provision of funding by the General Assembly~~.

26 (5) (a) Any local school district that:

27 1. Had school facilities classified as Category 5 on May 18, 2010, by the

- 1 Kentucky Department of Education; and
- 2 2. Levied an additional five cents (\$0.05) equivalent tax rate prior to April
3 27, 2016, for debt service, new construction, and major renovation
4 beyond the five cents (\$0.05) equivalent tax rate required by KRS
5 157.440(1)(b), except as provided in paragraph (b) of this subsection;
6 shall be eligible for equalization from the state for that levy at one hundred
7 fifty percent (150%) of the statewide average per pupil assessment beginning
8 in the fiscal year following the fiscal year in which the levy was imposed
9 subject to subsection (6) of this section. This levy shall be subject to the
10 recall provisions of KRS 132.017.
- 11 (b) School districts that levied a five cents (\$0.05) equivalent tax rate for debt
12 service, new construction, and major renovation, beyond the rate required by
13 KRS 157.440(1)(b) prior to May 18, 2010, shall not be required to levy an
14 additional tax to receive the equalization funds provided in paragraph (a) of
15 this subsection.
- 16 (c) If the school district utilizes the equalization funds to support a bond issue for
17 construction purposes, equalization funds shall be provided until the earlier of
18 twenty (20) years or date the bonds are retired.
- 19 (d) In the event that a school district receives funding pursuant to this subsection
20 to support construction of a new school facility and subsequently, as a result
21 of litigation, receives funding for the same facility for which state funds were
22 provided, that school district shall reimburse the Commonwealth an amount
23 equal to the amount provided under paragraph (a) of this subsection. Any
24 funds received in this manner shall be deposited in the budget reserve trust
25 fund account established in KRS 48.705.
- 26 (6) (a) For equivalent tax rates levied under this section prior to January 1, 2026,
27 equalization funds authorized under this section shall terminate upon the

1 earlier of twenty (20) years or the date the bonds supported by the
2 equalization funding are retired. Equalization shall be subject to the fiscal
3 condition of the Commonwealth and funding by the General Assembly.

4 (b) For equivalent tax rates levied under this section on or after January 1,
5 2026, equalized funds shall not be authorized under this section or provided
6 by the state.

7 (c) The commissioner of education shall compile a list of every equivalent tax
8 rate levied by a school district under the authority of this section, the bonds
9 or debt service to which the equivalent tax rate revenues and any related
10 equalized funds are dedicated, and the date those bonds or debt service are
11 scheduled to be retired. This list shall be submitted to the Legislative
12 Research Commission for referral to the Appropriations and Revenue
13 Committee by September 1 of each year until the equalization funds are
14 terminated under paragraph (a) of this subsection.

15 ➔Section 91. KRS 11A.211 is amended to read as follows:

- 16 (1) Each executive agency lobbyist, employer, and real party in interest shall file with
17 the commission within ten (10) days following the engagement of an executive
18 agency lobbyist, an initial registration statement showing all of the following:
- 19 (a) The name, business address, and occupation of the executive agency lobbyist;
 - 20 (b) The name and business address of the employer and of any real party in
21 interest on whose behalf the executive agency lobbyist is acting, if it is
22 different from the employer. However, if a trade association or other
23 charitable or fraternal organization that is exempt from federal income
24 taxation under Section 501(c) of the Internal Revenue Code is the employer,
25 the statement need not list the names and addresses of every member of the
26 association or organization, so long as the association or organization itself is
27 listed;

- 1 (c) A brief description of the executive agency decision to which the engagement
2 relates;
- 3 (d) The name of the executive agency or agencies to which the engagement
4 relates;
- 5 (e) Certification by the employer and executive agency lobbyist that the
6 information contained in the registration statement is complete and accurate;
- 7 (f) Compensation paid to, or received by, each executive agency lobbyist,
8 employer, and real party in interest as part of the engagement; and
- 9 (g) Certification that the employer and agent have complied with KRS 11A.236.
- 10 (2) In addition to the initial registration statement required by subsection (1) of this
11 section, each executive agency lobbyist, employer, and real party in interest shall
12 file with the commission, not later than the last day of July of each year, an updated
13 registration statement that confirms the continuing existence of each engagement
14 described in an initial registration statement, that lists the specific executive agency
15 decisions the executive agency lobbyist sought to influence under the engagement
16 during the period covered by the updated statement, and the compensation paid to,
17 or received by, each executive agency lobbyist, employer, and real party in interest
18 as part of the engagement, and with it any statement of expenditures required to be
19 filed by KRS 11A.216 and any details of financial transaction required to be filed
20 by KRS 11A.221.
- 21 (3) Compensation paid under subsection (1)(f) of this section shall be reported after it
22 is received by, or paid to, each executive agency lobbyist, employer, and real party
23 in interest as determined by the terms of the engagement, and shall be listed by the
24 amount paid or received, the intervals on which the payment is paid or received,
25 and shall include any other compensation received or paid as part of the
26 engagement.
- 27 (4) If an executive agency lobbyist is engaged by more than one (1) employer, the

- 1 executive agency lobbyist shall file a separate initial and updated registration
2 statement for each engagement and list compensation paid to, or received by each
3 executive agency lobbyist, employer, and real party in interest as part of the
4 engagement. If an employer engages more than one (1) executive agency lobbyist,
5 the employer shall file only one (1) updated registration statement under subsection
6 (2) of this section, which shall contain the information required by subsection (2) of
7 this section regarding all executive agency lobbyists engaged by the employer.
- 8 (5) (a) A change in any information required by subsection (1)(a), (b), (c), (d), or (2)
9 of this section shall be reflected in the next updated registration statement
10 filed under subsection (2) of this section.
- 11 (b) Within thirty (30) days following the termination of an engagement, the
12 executive agency lobbyist who was employed under the engagement shall file
13 written notice of the termination with the commission.
- 14 (6) Each employer of one (1) or more executive agency lobbyists, and each real party
15 in interest, shall pay a registration fee of seven hundred fifty dollars (\$750)~~five~~
16 ~~hundred dollars (\$500)~~ upon the filing of an updated registration statement. All
17 fees collected by the commission under the provisions of this subsection shall be
18 deposited in the State Treasury in a trust and agency fund account to the credit of
19 the commission. These agency funds shall be used to supplement general fund
20 appropriations for the operations of the commission and shall not lapse. No part of
21 the trust and agency fund account shall revert to the general funds of this state.
- 22 (7) Upon registration pursuant to this section, an executive agency lobbyist shall be
23 issued a card annually by the commission showing the executive agency lobbyist is
24 registered. The registration card shall be valid from the date of its issuance through
25 the thirty-first day of July of the following year.
- 26 (8) The commission shall review each registration statement filed with the commission
27 under this section to determine if the statement contains all of the required

1 information. If the commission determines the registration statement does not
2 contain all of the required information or that an executive agency lobbyist,
3 employer, or real party in interest has failed to file a registration statement, the
4 commission shall send written notification of the deficiency by certified mail to the
5 person who filed the registration statement or to the person who failed to file the
6 registration statement regarding the failure. Any person so notified by the
7 commission shall, not later than fifteen (15) days after receiving the notice, file a
8 registration statement or an amended registration statement that includes all of the
9 required information. If any person who receives a notice under this subsection fails
10 to file a registration statement or an amended registration statement within the
11 fifteen (15) day period, the commission may initiate an investigation of the person's
12 failure to file. If the commission initiates an investigation pursuant to this section,
13 the commission shall also notify each elected executive official and the secretary of
14 each cabinet listed in KRS 12.250 of the pending investigation.

15 (9) In the biennial report published under KRS 11A.110(13), the commission shall, in
16 the manner and form the commission determines, include a report containing
17 statistical information on the registration statements filed under this section during
18 the preceding biennium.

19 (10) If an employer who engages an executive agency lobbyist, or a real party in interest
20 on whose behalf the executive agency lobbyist was engaged is the recipient of a
21 contract, grant, lease, or other financial arrangement pursuant to which funds of the
22 state or of an executive agency are distributed or allocated, the executive agency or
23 any aggrieved party may consider the failure of the real party in interest, the
24 employer, or the executive agency lobbyist to comply with this section as a breach
25 of a material condition of the contract, grant, lease, or other financial arrangement.

26 (11) Executive agency officials may require certification from any person seeking the
27 award of a contract, grant, lease, or financial arrangement that the person, his or her

1 employer, and any real party in interest are in compliance with this section.

2 ➔Section 92. KRS 278.010 is amended to read as follows:

3 As used in KRS 278.010 to 278.450, 278.541 to 278.544, 278.546 to 278.5462, and
4 278.990, unless the context otherwise requires:

- 5 (1) "Corporation" includes private, quasipublic, and public corporations, and all boards,
6 agencies, and instrumentalities thereof, associations, joint-stock companies, and
7 business trusts;
- 8 (2) "Person" includes natural persons, partnerships, corporations, and two (2) or more
9 persons having a joint or common interest;
- 10 (3) "Utility" means any person except a regional wastewater commission established
11 pursuant to KRS 65.8905 and, for purposes of paragraphs (a), (b), (c), (d), and (f) of
12 this subsection, a city or a municipal interlocal gas utility, who owns, controls,
13 operates, or manages any facility used or to be used for or in connection with:
- 14 (a) The generation, production, transmission, or distribution of electricity to or
15 for the public, for compensation, for lights, heat, power, or other uses;
- 16 (b) The production, manufacture, storage, distribution, sale, or furnishing of
17 natural or manufactured gas, or a mixture of same, to or for the public, for
18 compensation, for light, heat, power, or other uses;
- 19 (c) The transporting or conveying of gas, crude oil, or other fluid substance by
20 pipeline to or for the public, for compensation;
- 21 (d) The diverting, developing, pumping, impounding, distributing, or furnishing
22 of water to or for the public, for compensation;
- 23 (e) The transmission or conveyance over wire, in air, or otherwise, of any
24 message by telephone or telegraph for the public, for compensation; or
- 25 (f) The collection, transmission, or treatment of sewage for the public, for
26 compensation, if the facility is a subdivision collection, transmission, or
27 treatment facility plant that is affixed to real property and is located in a

1 county containing a city of the first class or is a sewage collection,
2 transmission, or treatment facility that is affixed to real property, that is
3 located in any other county, and that is not subject to regulation by a
4 metropolitan sewer district or any sanitation district created pursuant to KRS
5 Chapter 220;

6 (4) "Retail electric supplier" means any person, firm, corporation, association, or
7 cooperative corporation, excluding municipal corporations, engaged in the
8 furnishing of retail electric service;

9 (5) "Certified territory" shall mean the areas as certified by and pursuant to KRS
10 278.017;

11 (6) "Existing distribution line" shall mean an electric line which on June 16, 1972, is
12 being or has been substantially used to supply retail electric service and includes all
13 lines from the distribution substation to the electric consuming facility but does not
14 include any transmission facilities used primarily to transfer energy in bulk;

15 (7) "Retail electric service" means electric service furnished to a consumer for ultimate
16 consumption, but does not include wholesale electric energy furnished by an
17 electric supplier to another electric supplier for resale;

18 (8) "Electric-consuming facilities" means everything that utilizes electric energy from a
19 central station source;

20 (9) "Generation and transmission cooperative" or "G&T" means a utility formed under
21 KRS Chapter 279 that provides electric generation and transmission services;

22 (10) "Distribution cooperative" means a utility formed under KRS Chapter 279 that
23 provides retail electric service;

24 (11) "Facility" includes all property, means, and instrumentalities owned, operated,
25 leased, licensed, used, furnished, or supplied for, by, or in connection with the
26 business of any utility;

27 (12) "Rate" means any individual or joint fare, toll, charge, rental, or other compensation

- 1 for service rendered or to be rendered by any utility, and any rule, regulation,
2 practice, act, requirement, or privilege in any way relating to such fare, toll, charge,
3 rental, or other compensation, and any schedule or tariff or part of a schedule or
4 tariff thereof;
- 5 (13) "Service" includes any practice or requirement in any way relating to the service of
6 any utility, including the voltage of electricity, the heat units and pressure of gas,
7 the purity, pressure, and quantity of water, and in general the quality, quantity, and
8 pressure of any commodity or product used or to be used for or in connection with
9 the business of any utility, but does not include Voice over Internet Protocol (VoIP)
10 service;
- 11 (14) "Adequate service" means having sufficient capacity to meet the maximum
12 estimated requirements of the customer to be served during the year following the
13 commencement of permanent service and to meet the maximum estimated
14 requirements of other actual customers to be supplied from the same lines or
15 facilities during such year and to assure such customers of reasonable continuity of
16 service;
- 17 (15) "Commission" means the Public Service Commission of Kentucky;
- 18 (16) "Commissioner" means one (1) of the members of the commission;
- 19 (17) "Demand-side management" means any conservation, load management, or other
20 utility activity intended to influence the level or pattern of customer usage or
21 demand, including home energy assistance programs;
- 22 (18) "Affiliate" means a person that controls or that is controlled by, or is under common
23 control with, a utility;
- 24 (19) "Control" means the power to direct the management or policies of a person
25 through ownership, by contract, or otherwise;
- 26 (20) "CAM" means a cost allocation manual which is an indexed compilation and
27 documentation of a company's cost allocation policies and related procedures;

- 1 (21) "Nonregulated activity" means the provision of competitive retail gas or electric
2 services or other products or services over which the commission exerts no
3 regulatory authority;
- 4 (22) "Nonregulated" means that which is not subject to regulation by the commission;
- 5 (23) "Regulated activity" means a service provided by a utility or other person, the rates
6 and charges of which are regulated by the commission;
- 7 (24) "USoA" means uniform system of accounts which is a system of accounts for
8 public utilities established by the FERC and adopted by the commission;
- 9 (25) "Arm's length" means the standard of conduct under which unrelated parties, each
10 party acting in its own best interest, would negotiate and carry out a particular
11 transaction;
- 12 (26) "Subsidize" means the recovery of costs or the transfer of value from one (1) class
13 of customer, activity, or business unit that is attributable to another;
- 14 (27) "Solicit" means to engage in or offer for sale a good or service, either directly or
15 indirectly and irrespective of place or audience;
- 16 (28) "USDA" means the United States Department of Agriculture;
- 17 (29) "FERC" means the Federal Energy Regulatory Commission;
- 18 (30) "SEC" means the Securities and Exchange Commission;
- 19 (31) "Commercial mobile radio services" has the same meaning as in 47 C.F.R. sec. 20.3
20 and includes the term "wireless" and service provided by any wireless real time two
21 (2) way voice communication device, including radio-telephone communications
22 used in cellular telephone service, personal communications service, and the
23 functional or competitive equivalent of a radio-telephone communications line used
24 in cellular telephone service, a personal communications service, or a network radio
25 access line;~~and~~
- 26 (32) "Voice over Internet Protocol" or "VoIP" has the same meaning as in federal law;
27 and

1 **(33) "Municipal interlocal gas utility" has the same meaning as in Section 93 of this**
2 **Act.**

3 ➔Section 93. KRS 65.230 is amended to read as follows:

4 As used in KRS 65.210 to 65.300, unless the context otherwise requires:

5 (1) "Interlocal agency" means a separate legal or administrative entity with a governing
6 board that is created in an agreement entered into by public agencies pursuant to the
7 provisions of KRS 65.210 to 65.300;

8 (2) "Local government" means any:

9 (a) City;

10 (b) County;

11 (c) Consolidated local government;

12 (d) Urban-county government;

13 (e) Charter county government; or

14 (f) Unified local government;

15 (3) **"Municipal interlocal gas utility" means an interlocal agency whose membership**
16 **is only composed of city governments formed for the purpose of constructing and**
17 **operating a system that is capable of acquiring, distributing, transmitting,**
18 **furnishing, or selling natural gas to a federal military installation and other**
19 **customers; and**

20 **(4)** "Public agency" means:

21 (a) Any local government;

22 (b) Any political subdivision of this state or of another state;

23 (c) Any agency, board instrumentality, or commission created by a local
24 government;

25 (d) Any taxing district as defined by KRS 65.180;

26 (e) Any special purpose government entity as defined in KRS 65A.010(9)(a) to
27 (c), including those entities that are exempt from the definition of special

1 purpose governmental entity under the provisions of KRS 65A.010(9)(d)7. to
2 9.;

3 (f) Any interlocal agency;

4 (g) The Commonwealth or any agency or instrumentality of the state government
5 or of the United States, including but not limited to a state-supported
6 institution of higher education;

7 (h) Any county school district or independent school district; and

8 (i) Any private institution of higher education entering into an agreement
9 authorized by KRS 65.240(4) with another public agency.

10 ➔SECTION 94. A NEW SECTION OF KRS 65.210 TO 65.300 IS CREATED
11 TO READ AS FOLLOWS:

12 **Municipal interlocal gas utilities shall be considered special purpose governmental**
13 **entities and shall comply with the requirements of KRS Chapter 65A including but not**
14 **limited to paying the annual fee to the Department for Local Government as required**
15 **under KRS 65A.020(5).**

16 ➔Section 95. KRS 65.240 is amended to read as follows:

17 (1) Any powers, privileges, or authorities exercised or capable of exercise by a public
18 agency of this state may be exercised and enjoyed jointly with any other public
19 agency of this state, and jointly with any public agency of any other state or of the
20 United States to the extent that the laws of the United States permit such joint
21 exercise or enjoyment. Any agency of the state government when acting jointly
22 with any public agency may exercise and enjoy all of the powers, privileges and
23 authority conferred by KRS 65.210 to 65.300 upon a public agency.

24 (2) Any two (2) or more public agencies may enter into agreements with one another
25 for joint or cooperative action pursuant to the provisions of KRS 65.210 to 65.300,
26 including but not limited to for the sharing of revenues and physical assets.
27 Appropriate action by ordinance, resolution or otherwise pursuant to law, of the

1 governing bodies of the participating public agencies shall be necessary before any
2 such agreement may enter into force.

3 (3) Any public agency may enter into agreements with another public agency or
4 agencies pursuant to KRS 65.210 to 65.300 to acquire by purchase or lease, any real
5 or personal property, or any interest, right, easement, or privilege therein, outside of
6 its municipal or jurisdictional boundaries, in connection with the acquisition,
7 construction, operation, repair, or maintenance of any water, sewage, wastewater,
8 **natural gas**, or storm water facilities, notwithstanding any other provision of the
9 Kentucky Revised Statutes restricting, qualifying, or limiting their authority to do
10 so, except as set forth in KRS Chapter 278.

11 (4) A private institution of higher education and one (1) or more county school districts
12 or independent school districts may enter into agreements under KRS 65.210 to
13 65.300 for the purposes of establishing and operating a program or facility,
14 including a center for child learning and study, designed to help one (1) or more
15 schools meet the goals set out in KRS 158.6451, or for the investment of funds if
16 the Attorney General determines that the proposal is compatible with the United
17 States Constitution as part of the review of the agreement provided in KRS
18 65.260(2), notwithstanding any other provision of the statutes restricting, qualifying
19 or limiting their authority to do so.

20 ➔Section 96. KRS 96.5375 is amended to read as follows:

21 (1) Subject to the limitations of subsection (4) of this section and KRS 96.045 and
22 96.538, any city that owns and operates a municipal system for the acquisition,
23 distribution, or transmission of natural gas may extend the system **or construct a**
24 **new system as authorized in KRS 96.170 and 96.542, to**~~into and~~ furnish and sell
25 natural gas to any person or entity within the boundaries of the city or within any
26 territory outside of the city's boundaries. **Municipal interlocal gas utilities shall**
27 **have the same authority to extend existing natural gas systems or construct new**

1 systems to furnish and sell natural gas in territory inside or outside of their
2 constituent cities' boundaries. In exercising the authority provided by this
3 subsection, the city may install the necessary apparatus to provide natural gas
4 distribution or transmission service and may also condemn or otherwise acquire
5 rights-of-way as private utilities may do. The provisions of this subsection shall
6 apply to all cities of this Commonwealth transporting or distributing natural gas as
7 well as any board, commission, or agency thereof.

8 (2) A city, other than a city of the first class or a consolidated local government, may
9 acquire the entire plant of an existing natural gas distribution system only under the
10 same process and subject to the same limitations established by KRS 96.580,
11 96.590, and 96.600.

12 (3) No property owned or operated by an existing natural gas distribution system
13 located within the Commonwealth may be condemned by a city from another state.

14 (4) A natural gas utility, which, for purposes of this subsection, means a public, private
15 or municipally owned gas utility distributing or transporting natural gas to
16 customers within this Commonwealth, shall not:

17 (a) Extend its system for the purposes of furnishing or selling natural gas to any
18 person or entity that is currently being served by another natural gas utility; or

19 (b) Extend its system to furnish or sell natural gas to any person or entity when
20 there is another natural gas utility in closer proximity to the person or entity to
21 be served, unless the natural gas utility in closer proximity has declined to
22 provide service.

23 (5) The provisions of subsection (4) of this section shall only apply to extension of
24 service issues between a municipally owned natural gas utility servicing customers
25 located outside its municipal boundaries and a private or investor-owned natural gas
26 utility. The term "municipally owned" shall include systems distributing or
27 transporting natural gas that are owned by a city from another state.

1 (6) As used in this section, "municipal interlocal gas utility" has the same meaning
2 as in Section 93 of this Act.

3 ➔SECTION 97. A NEW SECTION OF KRS 363.510 TO 363.850 IS CREATED
4 TO READ AS FOLLOWS:

5 (1) Beginning January 1, 2027, an electric vehicle power dealer shall not operate an
6 electric vehicle charging station without first obtaining a retail electric vehicle
7 charging license from the department. A retail electric vehicle charging license
8 shall be valid from the date of issuance until January 31 of the following
9 calendar year.

10 (2) The department shall collect an annual license fee in the amount of one hundred
11 dollars (\$100) per electric vehicle charging port located at an electric vehicle
12 charging station from the license holder to be deposited in the fund established in
13 subsection (3) of this section for the purpose of implementing and administering
14 of the retail electric vehicle charging program established by this section.

15 (3) (a) There is hereby established in the State Treasury a trust and agency
16 account to be known as the retail electric vehicle charging station license
17 fund. The fund shall consist of moneys received from the license fee
18 imposed in subsection (2) of this section, state appropriations, gifts, grants,
19 and federal funds.

20 (b) The fund shall be administered by the department.

21 (c) Amounts deposited in the fund shall be used for the implementation and
22 administration of the electric vehicle charging station inspection program
23 established by this section and for no other purpose.

24 (d) Notwithstanding KRS 45.229, fund amounts not expended at the close of a
25 fiscal year shall not lapse but shall be carried forward into the next fiscal
26 year.

27 (4) Except as provided in subsection (5) of this section, beginning January 1, 2027,

1 the department shall inspect each licensed electric vehicle charging station owned
2 or leased by an electric vehicle power dealer at least once every two (2) years. The
3 inspection shall include determinations of compliance with the standards in the
4 current edition of the National Institute of Standards and Technology's
5 Handbook 44 or other applicable standards relating to:

6 (a) The accuracy of the meters and displays of the electric vehicle charging
7 ports from which electricity is sold, including with regard to the electrical
8 rate, the charging speed, and the real-time charging status of the customer's
9 electric vehicle;

10 (b) Electrical and safety standards;

11 (c) Output voltages from electric vehicle charging port connectors;

12 (d) Security of payment methods and customer data; and

13 (e) Any physical security or cybersecurity measures that the department may
14 require.

15 (5) Electric vehicle charging stations constructed using funds from the National
16 Electric Vehicle Infrastructure Funding Program established under the federal
17 Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, shall not be subject
18 to the licensure or inspection requirements of this section or administrative
19 regulations promulgated under this section until five (5) years have elapsed from
20 the initial date of operation of the electric vehicle charging station and the long-
21 term stewardship requirement under 23 C.F.R. sec. 680.106 has expired.

22 (6) Within ninety (90) days of the effective date of this section of this Act, the
23 department shall promulgate administrative regulations in accordance with KRS
24 Chapter 13A to establish electric vehicle charging station inspection standards
25 and to carry out and enforce this section.

26 ➔Section 98. KRS 363.510 is amended to read as follows:

27 When used in KRS 363.510 to 363.850:

- 1 (1) "Department" means the Kentucky Department of Agriculture;
- 2 (2) "Commissioner" means the Commissioner of Agriculture;
- 3 (3) "Division" means the Division of Regulation and Inspection;
- 4 (4) (a) "Weights and measures" means all weights and measures of every kind,
5 instruments and devices for weighing and measuring, and any appliances and
6 accessories associated with any of the instruments and devices.
- 7 (b) The term shall include instruments and devices used to measure internal
8 moisture or density levels in unprocessed bulk tobacco if that moisture or
9 density determination is used as a condition of sale or as part of a contractual
10 sales agreement.
- 11 (c) The term shall not include meters for the measurement of electricity, gas
12 (natural or manufactured), or water when they are operated in a public utility
13 system. Electricity, gas, and water meters are specifically excluded from the
14 purview of KRS 363.510 to 363.850, and none of the provisions of KRS
15 363.510 to 363.850 shall apply to those meters or to any appliances or
16 accessories associated with those meters. **However, this paragraph shall not**
17 **be construed to prohibit the department from regulating or inspecting**
18 **electric vehicle charging stations or any associated electric meters under**
19 **Section 97 of this Act or the administrative regulations promulgated under**
20 **Section 97 of this Act;**
- 21 (5) "Sell" and "sale" mean barter and exchange;
- 22 (6) "Director" means the state director of the Division of Regulation and Inspection;
- 23 (7) "Inspector" means a state inspector of weights and measures;
- 24 (8) "Intrastate commerce" means all commerce or trade that is begun, carried on, and
25 completed wholly within the limits of the State of Kentucky, and the phrase
26 "introduced into intrastate commerce" defines the time and place at which the first
27 sale and delivery of a commodity is made within the state, the delivery being made

1 either directly to the purchaser or to a common carrier for shipment to the
2 purchaser;

3 (9) "Commodity in package form" means a commodity put up or packaged in any
4 manner in advance of sale in units suitable for either wholesale or retail sale,
5 exclusive of any auxiliary shipping container enclosing packages that individually
6 conform to the requirements of KRS 363.510 to 363.850. An individual item or lot
7 of any commodity not in package form as defined in this section, but on which there
8 is marked a selling price based on an established price per unit of weight or of
9 measure, shall be considered a commodity in package form;

10 (10) "Consumer package" or "package of consumer commodity" means a commodity in
11 package form that is customarily produced or distributed for sale through retail
12 sales agencies or instrumentalities for consumption by individuals or use by
13 individuals for the purposes of personal care or in the performance of services
14 ordinarily rendered in or about the household or in connection with personal
15 possessions;

16 (11) "Nonconsumer package" or "package of nonconsumer commodity" means any
17 commodity in package form other than a consumer package, and particularly a
18 package designed solely for industrial or institutional use or for wholesale
19 distribution only;

20 (12) (a) "Barrel," when used in connection with fermented liquor, means a unit of
21 thirty-one (31) gallons.

22 (b) "Ton" means a unit of two thousand (2,000) pounds avoirdupois weight.

23 (c) "Cord," when used in connection with wood intended for fuel purposes,
24 means the amount of wood that is contained in a space of one hundred twenty-
25 eight (128) cubic feet when the wood is ranked and well stowed;~~and~~

26 (13) "Weight," as used in connection with any commodity, means net weight. If any
27 commodity is sold on the basis of weight, the net weight of the commodity shall be

1 used, and all contracts concerning commodities shall use net weight as their basis of
2 weight;

3 **(14) "Electric vehicle" has the same meaning as in KRS 186.010;**

4 **(15) "Electric vehicle charging port" means the system at an electric vehicle charging**
5 **station that can provide power to charge only one (1) electric vehicle at a time,**
6 **even though it may have multiple connectors;**

7 **(16) "Electric vehicle charging station" means any place with electric vehicle supply**
8 **equipment that has an electrical power charging capacity of twenty (20) kilowatts**
9 **or more and that:**

10 **(a) Is accessible to general public vehicular traffic; and**

11 **(b) Sells electricity at retail to charge a battery or other storage device of an**
12 **electric vehicle;**

13 **(17) "Electric vehicle power dealer" means a person who owns or leases an electric**
14 **vehicle charging station; and**

15 **(18) "Electric vehicle supply equipment" means any device or system designed and**
16 **used specifically to transfer electrical energy to an electric vehicle, either as**
17 **charge transferred via physical or wireless connection, by loading a fully charged**
18 **battery, or by other means.**

19 ➔Section 99. KRS 138.477 is amended to read as follows:

20 (1) As used in this section:

21 (a) "Department" means the Department of Revenue;

22 (b) "Distribute" means the delivery or transfer of electric power into the battery or
23 other energy storage device of an electric vehicle at a location in this state;

24 (c) "Electric vehicle power" means electrical energy distributed into the battery or
25 other energy storage device of an electric vehicle to be used to power the
26 vehicle;

27 (d) "Electric vehicle power dealer" means a person who;

1 1. Owns or leases an electric vehicle charging station with a charging
2 capacity of twenty (20) kilowatts or more; or

3 2. *Receives payment for charges for power distributed through an*
4 *electric vehicle charging station;*

5 (e) "Electric vehicle" has the same meaning as in KRS 186.010;

6 (f) "Electric vehicle charging station" means any place accessible to general
7 public vehicular traffic where electric power may be used to charge a battery
8 or other storage device of a licensed electric vehicle; and

9 (g) "Person" has the same meaning as in KRS 139.010.

10 (2) On or after January 1, 2024:

11 (a) An excise tax with an initial base rate of three cents (\$0.03) per kilowatt hour
12 is imposed on electric vehicle power distributed in this state by an electric
13 vehicle power dealer for the purpose of charging electric vehicles in this state;
14 and

15 (b) A surtax with an initial base rate of three cents (\$0.03) per kilowatt hour is
16 imposed on electric vehicle power distributed in this state by an electric
17 vehicle power dealer when the electric vehicle charging station is located on
18 state property.

19 (3) (a) On or before December 1 of each year, ~~2024, and on or before each~~
20 ~~December 1 thereafter,~~ the department shall compare the most current
21 quarterly National Highway Construction Cost Index 2.0 (NHCCI 2.0) value
22 and determine the percentage change in relation to the NHCCI 2.0 value from
23 the same quarter for the previous year.

24 (b) 1. The tax rate on January 1, 2025, and on each January 1 thereafter, shall
25 be adjusted by the change in the NHCCI 2.0 determined by paragraph
26 (a) of this subsection, unless the change is:

27 a. Greater than a five percent (5%) increase, in which case the taxes

- 1 shall be one hundred five percent (105%) of the tax rates in effect
2 at the close of the previous calendar year; or
- 3 b. Greater than a five percent (5%) decrease, in which case the taxes
4 shall be ninety-five percent (95%) of the tax rates in effect at the
5 close of the previous calendar year.
- 6 2. Notwithstanding subparagraph 1. of this paragraph, the tax rate shall not
7 be less than the initial base rate identified in subsection (2) of this
8 section.
- 9 (c) Adjustments to the tax rate shall be rounded to the nearest one-tenth of one
10 cent (\$0.001).
- 11 (4) At least twenty (20) days in advance of the first day of each calendar year, the
12 department shall provide notification of:
- 13 (a) The adjusted electric vehicle power tax rate for the upcoming calendar year to
14 all electric vehicle power dealers; and
- 15 (b) The adjusted electric vehicle ownership fee imposed under KRS 138.475 for
16 the upcoming calendar year to all county clerks.
- 17 (5) This tax shall be:
- 18 (a) Administered by the department; and
- 19 (b) Transferred to the road fund as defined in KRS 48.010.
- 20 (6) (a) The tax shall be added to the selling price charged by the electric vehicle
21 power dealer at the electric vehicle charging station on electric vehicle power
22 sold in this state.
- 23 (b) If there is no selling price at the charging station, the electric vehicle power
24 dealer shall be responsible for paying the tax on the electric power distributed
25 by the electric vehicle charging station, except in the case of an electric
26 vehicle charging station installed prior to July 1, 2022.
- 27 (7) (a) The tax imposed shall be paid by the electric vehicle power dealer to the State

1 Treasurer.

2 (b) The electric vehicle power dealer is liable for the electric vehicle power tax.

3 (8) Every electric vehicle power dealer shall, by the twenty-fifth day of each month,
4 transmit to the department reports, on the forms the department may prescribe, on
5 the total kilowatt hours distributed and the amount of tax collected. Payment of the
6 tax shall be due with the report.

7 (9) The electric vehicle power dealer shall keep and preserve an accurate record of all
8 receipts of electricity and tax together with invoices or other pertinent records and
9 papers required by the department for five (5) years.

10 (10) (a) No dealer or other person shall fail or refuse to make the returns and pay the
11 tax prescribed by this section, or refuse to permit the department or its
12 representatives appointed by the commissioner of the department in writing to
13 examine his or her records, papers, files, and equipment pertaining to the
14 taxable business.

15 (b) No person shall make an incomplete, false, or fraudulent return, or attempt to
16 do anything to avoid a full disclosure of the amount of business done or to
17 avoid the payment of the whole or any part of the tax or penalties due.

18 (c) No person shall fail to keep and preserve records of electric vehicle power
19 distributed to make reports as required by this section.

20 (11) Any person who violates any provision of this section shall be subject to the
21 uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax
22 interest rate as defined in KRS 131.183.

23 (12) (a) Notwithstanding any other provisions of this chapter to the contrary, the
24 president, vice president, secretary, treasurer, or any other person holding any
25 equivalent corporate office of any corporation subject to the provisions of this
26 chapter shall be personally and individually liable, both jointly and severally,
27 for the taxes imposed under this chapter, and neither the corporate dissolution

1 nor withdrawal of the corporation from the state nor the cessation of holding
2 any corporate office shall discharge the foregoing liability of any person.

3 (b) The personal and individual liability shall apply to each and every person
4 holding the corporate office at the time the taxes become or became due.

5 (c) No person will be personally and individually liable pursuant to this section
6 who had no authority in the management of the business or financial affairs of
7 the corporation at the time that the taxes imposed by this chapter become or
8 became due.

9 (13) (a) Notwithstanding any other provisions of this chapter, KRS 275.150, 362.1-
10 306(3) or predecessor law, or 362.2-404(3) to the contrary, the managers of a
11 limited liability company, the partners of a limited liability partnership, and
12 the general partners of a limited liability limited partnership or any other
13 person holding any equivalent office of a limited liability company, limited
14 liability partnership, or limited liability limited partnership subject to the
15 provisions of this chapter shall be personally and individually liable, both
16 jointly and severally, for the taxes imposed under this chapter.

17 (b) Dissolution or withdrawal of the limited liability company, limited liability
18 partnership, or limited liability limited partnership from the state, or the
19 cessation of holding any office shall not discharge the liability of any person.

20 (c) The personal and individual liability shall apply to each and every manager of
21 a limited liability company, partner of a limited liability partnership, and
22 general partner of a limited liability limited partnership at the time the taxes
23 become or became due.

24 (d) No person shall be personally and individually liable under this subsection
25 who had no authority to collect, truthfully account for, or pay any tax imposed
26 by this chapter at the time that the taxes imposed by this chapter become or
27 became due.

- 1 (14) "Taxes" as used in this section shall include interest accrued at the rate provided by
2 KRS 131.183, all applicable penalties imposed under this chapter, and all applicable
3 penalties and fees imposed under KRS 131.180, 131.410 to 131.445, and 131.990.
- 4 (15) The department may prescribe forms and promulgate administrative regulations to
5 execute and administer the provisions of this section.
- 6 ➔Section 100. KRS 138.446 is amended to read as follows:
- 7 (1) Bus companies ~~and taxicab companies~~ operating under a certificate issued
8 pursuant to KRS Chapter 281 and senior citizen programs which utilize Title III
9 funds of the Older Americans Act in the provision of transportation services shall
10 be entitled to a refund of seven-ninths (7/9) of the amount of KRS Chapter 138
11 taxes paid on motor fuels used in their regularly scheduled operations in Kentucky.
- 12 (2) ~~A~~No person shall ***not*** be entitled to a refund pursuant to this section unless he ***or***
13 ***she*** shall have first filed with the department a bond issued by a surety company
14 authorized to do business in Kentucky in an amount of not less than one thousand
15 dollars (\$1,000) nor more than five thousand dollars (\$5,000) to be determined by
16 the department, conditioned upon faithful compliance with this section and upon the
17 payment to the Commonwealth of any refunds to which he was not entitled.
- 18 (3) Applications for refund shall be filed with the department on a calendar quarter or
19 calendar year basis on forms and in the manner prescribed by it for refund of tax
20 paid on motor fuel used by buses ~~or taxicabs~~. Each application for a refund shall
21 show the number of gallons of motor fuel purchased during the quarter for use in
22 buses ~~or taxicabs~~; the date and quantity of each purchase; the vendor from whom
23 the fuel was purchased; the number of gallons on which refund is claimed; and
24 other information the department may require.~~Invoices shall be attached to~~
25 ~~applications from taxicab companies.~~
- 26 (4) ~~The department may require any gasoline dealer or any dealer's authorized agent to~~
27 ~~identify gasoline sold by him for taxicab use by adding any chemical or substance,~~

1 ~~which shall be furnished by the department and used in the manner as prescribed by~~
2 ~~the department.~~]The department ~~[also]~~may require that the dealer keep a complete
3 record of all the gasoline sold by him or her, which records shall give the date of
4 each sale, the number of gallons sold, the name of the person to whom sold, and the
5 sale price.

6 (5) The department shall audit the application and make any other investigation it
7 deems necessary to determine whether it constitutes a proper claim. When the
8 department is satisfied that a refund is proper, it shall authorize seven-ninths (7/9)
9 of the amount of the tax paid to be refunded as other refunds are made and the
10 amount refunded shall be deducted from current motor fuel tax receipts. The tax
11 shall be refunded with interest at the tax interest rate as defined in KRS
12 131.010~~[(6)]~~.

13 (6) When the department finds that an application for a refund contains a false or
14 fraudulent statement or that a refund has been fraudulently obtained, the department
15 shall refuse to grant any refunds to the person making the false or fraudulent
16 statement or fraudulently obtaining a refund for a period of two (2) years from the
17 date of the findings.

18 (7) The department may prescribe, promulgate and enforce administrative regulations
19 relating to the administration and enforcement of this section.

20 ~~[(8) The refund provided for in this section shall be effective on motor fuel purchased~~
21 ~~on or after July 1, 1978.]~~

22 ➔Section 101. KRS 138.210 is amended to read as follows:

23 As used in KRS 138.210 to 138.448~~[138.220 to 138.446]~~, unless the context requires
24 otherwise:

25 (1) "Accountable loss" means loss or destruction of "received" gasoline or special fuel
26 through wrecking of transportation conveyance, explosion, fire, flood or other
27 casualty loss, or contaminated and returned to storage. The loss shall be reported

1 within thirty (30) days after discovery of the loss to the department in a manner and
2 form prescribed by the department, supported by proper evidence which in the sole
3 judgment of the department substantiates the alleged loss or contamination and
4 which is confirmed in writing to the reporting dealer by the department. The
5 department may make any investigation deemed necessary to establish the bona
6 fide claim of the loss;

7 (2) "Agricultural purposes" means purposes directly related to the production of
8 agricultural commodities and the conducting of ordinary activities on the farm;

9 (3) "Annual survey value" means the average of the quarterly survey values for a fiscal
10 year, as determined by the department, based upon surveys taken during the first
11 month of each quarter of the fiscal year;

12 (4) "Average wholesale price" means the weighted average per gallon wholesale price
13 of gasoline, based on the quarterly survey value as determined by the department,
14 and as adjusted by KRS 138.228;

15 (5) "Bulk storage facility" means gasoline or special fuels storage facilities of not less
16 than twenty thousand (20,000) gallons owned or operated at one (1) location by a
17 single owner or operator for the purpose of storing gasoline or special fuels for
18 resale or delivery to retail outlets or consumers;

19 (6) **"Cellulosic ethanol" has the same meaning as in KRS 141.422;**

20 **(7)** "Dealer" means any person who is:

21 (a) Regularly engaged in the business of refining, producing, distilling,
22 manufacturing, blending, or compounding gasoline or special fuels in this
23 state;

24 (b) Regularly importing gasoline or special fuel, upon which no tax has been
25 paid, into this state for distribution in bulk to others;

26 (c) Distributing gasoline from bulk storage in this state;

27 (d) Regularly engaged in the business of distributing gasoline or special fuels

1 from bulk storage facilities primarily to others in arm's-length transactions;

2 (e) In the case of gasoline, receiving or accepting delivery within this state of
 3 gasoline for resale within this state in amounts of not less than an average of
 4 one hundred thousand (100,000) gallons per month during any prior
 5 consecutive twelve (12) months' period, when in the opinion of the
 6 department, the person has sufficient financial rating and reputation to justify
 7 the conclusion that he or she will pay all taxes and comply with all other
 8 obligations imposed upon a dealer; or

9 (f) Regularly exporting gasoline or special fuels;

10 ~~(8)~~~~(7)~~ "Department" means the Department of Revenue;

11 ~~(9)~~~~(8)~~ "Diesel fuel":

12 (a) Means any liquid other than gasoline that, without further processing or
 13 blending, is suitable for use as a fuel in a diesel powered highway vehicle;
 14 and ~~Diesel fuel~~

15 (b) Does not include unblended kerosene, No. 5~~;~~ and No. 6 fuel oils~~oil~~ as
 16 described in ASTM specification D 396~~,~~ or F-76 Fuel Naval Distillate MILL-
 17 F-166884;

18 ~~(10)~~~~(9)~~ "Dyed diesel fuel" means diesel fuel that is required to be dyed under United
 19 States Environmental Protection Agency rules for high sulfur diesel fuel, or is dyed
 20 under the Internal Revenue Service rules for low sulfur fuel, or pursuant to any
 21 other requirements subsequently set by the United States Environmental Protection
 22 Agency or the Internal Revenue Service;

23 **(11) "Ethanol" has the same meaning as in KRS 141.422;**

24 **(12) "Ethanol flex fuel" means an ethanol fuel blend of ethanol and gasoline that**
 25 **meets the current ASTM specification D5798;**

26 ~~(13)~~~~(10)~~ "Financial instrument" means a bond issued by a corporation authorized to do
 27 business in Kentucky, a line of credit, or an account with a financial institution

1 maintaining a compensating balance;

2 **(14) "Fuel grade ethanol" includes ethanol, cellulosic ethanol, and ethanol flex fuel;**

3 **(15)**~~(14)~~ "Gasoline":

4 **(a)** Means all liquid fuels, including liquids ordinarily, practically, and
 5 commercially usable in internal combustion engines for the generation of
 6 power, and all distillates of and condensates from petroleum, natural gas, coal,
 7 coal tar, vegetable ferments, and all other products so usable which are
 8 produced, blended, or compounded for the purpose of operating motor
 9 vehicles, showing a flash point of **one hundred ten** (110) degrees Fahrenheit
 10 or below, using the Elliott Closed Cup Test, or when tested in a manner
 11 approved by the United States Bureau of Mines, are prima facie commercially
 12 usable in internal combustion engines;~~;~~

13 **(b) Includes**~~The term "gasoline" as used herein shall include~~ casing head,
 14 absorption, natural gasoline, **fuel grade ethanol**, and condensates when used
 15 without blending as a motor fuel, sold for use in motors direct, or sold to those
 16 who blend for their own use; **and**~~;~~

17 **(c) Does**~~but shall~~ not include~~;~~ propane, butane, or other liquefied petroleum
 18 gases;~~;~~ kerosene;~~;~~ cleaner solvent;~~;~~ fuel oil;~~;~~ diesel fuel;~~;~~ crude oil; or
 19 casing head, absorption, natural gasoline, **fuel grade ethanol**, and condensates
 20 when sold to be blended or compounded with other less volatile liquids in the
 21 manufacture of commercial gasoline for motor fuel;~~;~~ industrial naphthas;~~;~~
 22 rubber solvents;~~;~~ Stoddard solvent;~~;~~ mineral spirits;~~;~~ VM and P ~~&~~
 23 ~~;~~naphthas;~~;~~ turpentine substitutes;~~;~~ pentane;~~;~~ hexane;~~;~~ heptane;~~;~~
 24 octane;~~;~~ benzene;~~;~~ benzine;~~;~~ xylol;~~;~~ toluol;~~;~~ aromatic petroleum
 25 solvents;~~;~~ alcohol;~~;~~ and liquefied gases which would not exist as liquids at
 26 a temperature of sixty (60) degrees Fahrenheit and a pressure of **fourteen and**
 27 **seven tenths** (14.7) pounds per square inch absolute, unless the products are

1 used wholly or in combination with gasoline as a motor fuel;

2 ~~(16)~~~~(12)~~ "Motor vehicle" means any vehicle, machine, or mechanical contrivance
3 propelled by an internal combustion engine and licensed for operation and operated
4 upon the public highways and any trailer or semitrailer attached to or having its
5 front end supported by the motor vehicles;

6 ~~(17)~~~~(13)~~ "Public highways" means every way or place generally open to the use of the
7 public as a matter or right for the purpose of vehicular travel, notwithstanding that
8 they may be temporarily closed or travel thereon restricted for the purpose of
9 construction, maintenance, repair, or reconstruction;

10 ~~(18)~~~~(14)~~ ~~(a)~~ "Quarterly survey value":

11 (a) Means a value determined by the department for each calendar quarter of the
12 weighted average per gallon wholesale price of gasoline, determined from
13 information available through independent statistical surveys of gasoline
14 prices or, if requested, from information furnished by licensed gasoline
15 dealers. The department shall determine, within twenty (20) days following
16 the end of the first month of each calendar quarter, the weighted average of
17 per gallon wholesale selling prices of gasoline for the previous month. That
18 value shall be the quarterly survey value for the beginning of the following
19 calendar quarter; and~~(-)~~

20 (b) ~~["Quarterly survey value"]~~ Shall be determined exclusive of any federal
21 gasoline tax and any fee on imported oil imposed by the Congress of the
22 United States;

23 ~~(19)~~~~(15)~~ "Received," ~~(or)~~ "received gasoline," or "received special fuels" means~~(shall~~
24 ~~have the following meanings):~~

25 (a) 1. Gasoline and special fuels produced, manufactured, or compounded at
26 any refinery in this state or acquired by any dealer and delivered into or
27 stored in refinery, marine, or pipeline terminal storage facilities in this

1 state shall be deemed to be received when it has been loaded for bulk
2 delivery into tank cars or tank trucks consigned to destinations within
3 this state.

4 2. For the purpose of the proper administration of this chapter and to
5 prevent the evasion of the tax and to enforce the duty of the dealer to
6 collect the tax, it shall be presumed that all gasoline and special fuel
7 loaded by any licensed dealer within this state into tank cars or tank
8 trucks is consigned to destinations within this state, unless the contrary
9 is established by the dealer, pursuant to administrative regulations
10 prescribed by the department; and

11 (b) 1. Gasoline and special fuels acquired by any dealer in this state, and not
12 delivered into refinery, marine, or pipeline terminal storage facilities,
13 shall be deemed to be received when it has been placed into storage
14 tanks or other containers for use or subject to withdrawal for use,
15 delivery, sale, or other distribution.

16 2. Dealers may sell gasoline or special fuels to licensed bonded dealers in
17 this state in transport truckload, carload, or cargo lots, withdrawing it
18 from refinery, marine, pipeline terminal, or bulk storage tanks, without
19 paying the tax. In these instances, the licensed bonded dealer purchasing
20 the gasoline or special fuels shall be deemed to have received that fuel at
21 the time of withdrawal from the seller's storage facility and shall be
22 responsible to the state for the payment of the tax thereon;

23 ~~(20)~~~~(16)~~ "Refinery" means any place where gasoline or special fuel is refined,
24 manufactured, compounded, or otherwise prepared for use;

25 ~~(21)~~~~(17)~~ "Retail filling station" means any place accessible to general public vehicular
26 traffic where gasoline or special fuel is or may be placed into the fuel supply tank of
27 a licensed motor vehicle;

1 ~~(22)~~~~(18)~~ "Special fuels" means and includes all combustible gases and liquids capable
 2 of being used for the generation of power in an internal combustion engine to
 3 propel vehicles of any kind upon the public highways, including diesel fuel, and
 4 dyed diesel fuel used exclusively for nonhighway purposes in off-highway
 5 equipment and in nonlicensed motor vehicles, except that it does not include
 6 gasoline, aviation jet fuel, kerosene unless used wholly or in combination with
 7 special fuel as a motor fuel, or liquefied petroleum gas as defined in KRS 234.100;

8 ~~(23)~~~~(19)~~ "Storage" means all gasoline and special fuels produced, refined, distilled,
 9 manufactured, blended, or compounded and stored at a refinery storage or delivered
 10 by boat at a marine terminal for storage, or delivered by pipeline at a pipeline
 11 terminal, delivery station, or tank farm for storage;

12 ~~(24)~~~~(20)~~ "Transporter" means any person who transports gasoline or special fuels on
 13 which the tax has not been paid or assumed; and

14 ~~(25)~~~~(21)~~ "Wholesale floor price" means[:

15 ~~(a) Prior to April 1, 2015, one dollar and seventy eight and six tenths cents~~
 16 ~~(\$1.786) per gallon; and~~

17 ~~(b) On and after April 1, 2015,] two dollars and seventeen and seven-tenths cents~~
 18 ~~(\$2.177) per gallon.~~

19 ➔SECTION 102. A NEW SECTION OF KRS CHAPTER 246 IS CREATED TO
 20 READ AS FOLLOWS:

21 **(1) There is hereby created in the State Treasury a trust and agency account to be**
 22 **known as the Friends of Kentucky Agriculture fund. The fund shall consist of the**
 23 **special license plate EF fees associated with the issuance of the Friends of**
 24 **Kentucky Agriculture license plate pursuant to Section 103 of this Act, state**
 25 **appropriations, gifts, grants, and federal funds.**

26 **(2) The fund shall be administered by the Department of Agriculture.**

27 **(3) Amounts deposited in the fund shall be used for agricultural programs**

1 administered by the department and for no other purpose.

2 (4) Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal
3 year shall not lapse, but shall be carried forward to the next fiscal year.

4 ➔Section 103. KRS 186.162 is amended to read as follows:

5 (1) As used in this section and in KRS 186.043, 186.164, 186.166, 186.1722, and
6 186.174:

7 (a) "Special license plate" means a unique license plate issued under this chapter
8 to a group or organization that readily identifies the operator of the motor
9 vehicle or motorcycle bearing the plate as a member of a group or
10 organization, or a supporter of the work, goals, or mission of a group or
11 organization. The term shall not include regular license plates issued under
12 KRS 186.240;

13 (b) "Street rod" means a modernized private passenger motor vehicle
14 manufactured prior to the year 1949, or designed or manufactured to resemble
15 a vehicle manufactured prior to 1949;

16 (c) "SF" means the portion of an initial or renewal fee to obtain a special license
17 plate that is dedicated for use by the Transportation Cabinet;

18 (d) "CF" means the county clerk's fee for issuing a motor vehicle registration as
19 established under KRS 186.040(1). If a CF amount is charged for a license
20 plate listed in this section, the applicant for that plate shall also pay the fees
21 identified in KRS 186.040(6). If a CF amount is not charged, the applicant
22 shall not be required to pay those fees; and

23 (e) "EF" means the portion of an initial or renewal fee to obtain a special license
24 plate that is mandated by this chapter to be dedicated for use by a particular
25 group or organization.

26 (2) The initial purchase fee and renewal fee for a special license plate created under this
27 chapter shall be as established in this subsection and includes the name of group or

1 organization and the total initial and renewal fee required for the plate. The amount
2 in parentheses indicates how the total fee is required to be divided:

3 (a) Disabled veterans who receive assistance to purchase a vehicle from the
4 United States Department of Veterans' Affairs, veterans declared by the
5 United States Department of Veterans' Affairs to be one hundred percent
6 (100%) service-connected disabled, and recipients of the Congressional
7 Medal of Honor:

- 8 1. Initial Fee: \$0 (\$0 SF/\$0 CF/\$0 EF).
- 9 2. Renewal Fee: \$0 (\$0 SF/\$0 CF/\$0 EF).

10 (b) Former prisoners of war, recipients of the Purple Heart, and survivors of
11 Pearl Harbor:

- 12 1. Initial Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans'
13 program trust fund established under KRS 40.460).
- 14 2. Renewal Fee: \$11 (\$0 SF/\$6 CF/\$5 EF to the veterans'
15 program trust fund established under KRS 40.460).

16 (c) Members of the Kentucky National Guard ~~and recipients of the Purple~~
17 ~~Heart~~:

- 18 1. Initial Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the National
19 Guard Association of Kentucky~~[veterans' program trust fund~~
20 ~~established under KRS 40.460]~~).
- 21 2. Renewal Fee: \$11 (\$0 SF/\$6 CF/\$5 EF to the National Guard
22 Association of Kentucky~~[veterans' program trust fund established under~~
23 ~~KRS 40.460]~~).

24 (d) Members of the Civil Air Patrol; active, retired, veteran, reserve, or auxiliary
25 members of the United States Army, Navy, Air Force, Marine Corps, Space
26 Force, or Coast Guard; Merchant Marines who served between December 7,
27 1941, and August 15, 1945; recipients of the Silver Star Medal, the Legion of

1 Merit Medal, the Distinguished Flying Cross, the Air Medal, the Combat
 2 Action Badge, the Combat Infantry Badge, or the Bronze Star Medal; persons
 3 who wish to receive Gold Star Mothers, Gold Star Fathers, or Gold Star
 4 Spouses license plates beyond the two (2) exempted from fees under KRS
 5 186.041(6); individuals eligible for a special military service academy license
 6 plate under KRS 186.041(8); individuals eligible for a special military unit
 7 license plate under KRS 186.163; and disabled veterans who have been
 8 declared to be between fifty percent (50%) and ninety-nine percent (99%)
 9 service-connected disabled by the United States Department of Veterans'
 10 Affairs:

- 11 1. Initial Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans'
 12 program trust fund established under KRS 40.460).
- 13 2. Renewal Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans'
 14 program trust fund established under KRS 40.460).

15 (e) Recipients of the Distinguished Service Cross, Navy Cross, or Air Force
 16 Cross:

- 17 1. Initial Fee: \$6 (\$0 SF/\$6 CF/\$0 EF).
- 18 2. Renewal Fee: \$6 (\$0 SF/\$6 CF/\$0 EF).

19 (f) Disabled license plates:

- 20 1. Initial Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).
- 21 2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).

22 (g) Historic vehicles:

- 23 1. Initial Fee for two plates: \$56 (\$50 SF/\$6 CF/\$0 EF).
- 24 2. Renewal Fee: Do not renew annually.

25 (h) Members of Congress:

- 26 1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
- 27 2. Renewal Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans'

1 program trust fund established under KRS 40.460).

2 (i) Firefighters:

3 1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky
4 Firefighters Association).

5 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky
6 Firefighters Association).

7 (j) Emergency management:

8 1. Initial Fee: \$31 (\$25 SF/\$6 CF/\$0 EF).

9 2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).

10 (k) Fraternal Order of Police:

11 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Kentucky
12 FOP Death Benefit Fund).

13 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky
14 FOP Death Benefit Fund).

15 (l) Law Enforcement Memorial:

16 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Kentucky
17 Law Enforcement Memorial Foundation, Inc.).

18 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky
19 Law Enforcement Memorial Foundation, Inc.).

20 (m) Personalized plates for a motor vehicle that is required to be registered under
21 the provisions of KRS 186.050(1), (3)(a), or (4)(a), or a motorcycle required
22 to be registered under the provisions of KRS 186.050(2):

23 1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).

24 2. Renewal Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).

25 (n) Street rods:

26 1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).

27 2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).

- 1 (o) Nature plates:
- 2 1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to Kentucky
- 3 Heritage Land Conservation Fund established under KRS 146.570).
- 4 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to Kentucky
- 5 Heritage Land Conservation Fund established under KRS 146.570).
- 6 (p) Amateur radio:
- 7 1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
- 8 2. Renewal Fee: \$18 (\$12 SF/\$6 CF/\$0 EF).
- 9 (q) Kentucky General Assembly:
- 10 1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
- 11 2. Renewal Fee: \$23 (\$12 SF/\$6 CF/\$5 EF to the veterans'
- 12 program trust fund established under KRS 40.460).
- 13 (r) Kentucky Court of Justice:
- 14 1. Initial Fee: \$43 (\$37 SF/\$6 CF/\$0 EF).
- 15 2. Renewal Fee: \$11 (\$0 SF/\$6 CF/\$5 EF to the veterans'
- 16 program trust fund established under KRS 40.460).
- 17 (s) Masons:
- 18 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Masonic
- 19 Homes of Kentucky).
- 20 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Masonic
- 21 Homes of Kentucky).
- 22 (t) Collegiate plates:
- 23 1. Initial Fee: \$53 (\$37 SF/\$6 CF/\$10 EF to the general
- 24 scholarship fund of the university whose name will be borne on the
- 25 plate).
- 26 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the general
- 27 scholarship fund of the university whose name will be borne on the

1 plate).

2 (u) Independent Colleges:

3 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Association of
4 Independent Kentucky Colleges and Universities for distribution to the
5 general scholarship funds of the Association's members).

6 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Association of
7 Independent Kentucky Colleges and Universities for distribution to the
8 general scholarship funds of the Association's members).

9 (v) Child Victims:

10 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the child victims'
11 trust fund established under KRS 41.400).

12 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the child victims'
13 trust fund established under KRS 41.400).

14 (w) Kentucky Horse Council:

15 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the Kentucky
16 Horse Council).

17 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky
18 Horse Council).

19 (x) Ducks Unlimited:

20 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to Kentucky Ducks
21 Unlimited).

22 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to Kentucky Ducks
23 Unlimited).

24 (y) Spay neuter:

25 1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the animal control
26 and care fund established under KRS 258.119).

27 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the animal control

1 and care fund established under KRS 258.119).

2 (z) Gold Star Mothers, Gold Star Fathers, or Gold Star Spouses:

3 1. Initial Fee: \$0 (\$0 SF/\$0 CF/ \$0 EF).

4 2. Renewal Fee: \$0 (\$0 SF/\$0 CF/ \$0 EF).

5 3. A person may receive a maximum of two (2) plates under this paragraph
6 free of charge and may purchase additional plates for fees as established
7 in subsection (2)(d) of this section.

8 (aa) I Support Veterans:

9 1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky
10 Department of Veterans' Affairs).

11 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the Kentucky
12 Department of Veterans' Affairs).

13 (ab) Gold Star Siblings, Gold Star Sons, or Gold Star Daughters:

14 1. Initial Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the veterans'
15 program trust fund established under KRS 40.460).

16 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the veterans'
17 program trust fund established under KRS 40.460).

18 (ac) POW/MIA Awareness:

19 1. Initial Fee: \$41 (\$25 SF/\$6 CF/\$10 EF to the veterans'
20 program trust fund established under KRS 40.460).

21 2. Renewal Fee: \$28 (\$12 SF/\$6 CF/\$10 EF to the veterans'
22 program trust fund established under KRS 40.460).

23 (ad) Personalized plates for a recreational vehicle that is required to be registered
24 under the provisions of KRS 186.050(11):

25 1. Initial Fee: \$51 (\$45 SF/\$6 CF/\$0 EF).

26 2. Renewal Fee: \$51 (\$45 SF/\$6 CF/\$0 EF).

27 (ae) Friends of Kentucky Agriculture:

1 for a motorcycle shall be in lieu of the registration fee required under KRS
2 186.050(2).

3 (5) The Transportation Cabinet shall:

4 (a) Identify the cost of issuing a child victims' trust fund special license plate
5 under subsection (2)(v) of this section; and

6 (b) Transfer any revenue received from the initial or renewal SF fee that is in
7 excess of the cost identified in paragraph (a) of this subsection to the child
8 victims' trust fund established under KRS 41.400.

9 ➔Section 104. KRS 186.164 is amended to read as follows:

10 (1) The SF portion of the fee required under KRS 186.162 shall include the fee to
11 reflectorize all license plates under KRS 186.240. All EF fees required under KRS
12 186.162 shall be collected at the time of an initial or renewal application by the
13 county clerk who shall forward the EF fee to the cabinet. The cabinet shall remit EF
14 fees to the fund, group, or organization identified in KRS 186.162 on a quarterly
15 basis. The cabinet may retain any investment income earned from holding EF fees
16 designated to be remitted under this subsection to offset administrative costs
17 incurred by the cabinet in the administration of EF fees.

18 (2) A special license plate shall be the color and design selected by the group or
19 organization identified in subsection (13) of this section, contingent upon the
20 approval of the Transportation Cabinet. In addition to the design selected for a
21 special license plate, the name "Kentucky," an annual renewal decal, and any
22 combination of letters or numerals required by the cabinet in the design shall also
23 appear on the plate.

24 (3) An actual metal special license plate shall be issued on the same schedule as regular
25 license plates are issued under KRS 186.240. The cabinet shall have the discretion
26 to extend the time period that will exist between the date a metal special license
27 plate is issued and the date that regular plates are issued under KRS 186.240. A

1 renewal registration decal shall be issued all other years during the owner's or
2 lessee's birth month, except as provided in KRS 186.041(2) and 186.042(5). A
3 person seeking a special license plate for a vehicle provided as part of the person's
4 occupation shall conform to the requirements of KRS 186.050(14).

5 (4) (a) If a special license plate issued under this chapter deteriorates to the point that
6 the lettering, numbering, or images on the face of the plate are not legible, the
7 plate shall be replaced free of charge, if the owner or lessee has not
8 transferred the vehicle to which the plate was issued during the current
9 licensing period.

10 (b) If a special license plate issued under this chapter is lost, stolen, or damaged
11 in an accident, the county clerk shall issue a new plate upon payment of a
12 three dollar (\$3) county clerk fee, if the owner or lessee has not transferred the
13 vehicle to which the plate was issued during the current licensing period.

14 (5) Upon the sale, transfer, or termination of a lease of a vehicle with any special
15 license plate issued under this chapter, the owner or lessee shall remove the special
16 plate and return it and the certificate of registration to the county clerk. The county
17 clerk shall reissue the owner or lessee a regular license plate and a certificate of
18 registration upon payment of a three dollar (\$3) county clerk fee. If the owner or
19 lessee requests, the county clerk shall reissue the special plate upon payment of a
20 three dollar (\$3) county clerk fee for use on any other vehicle of the same
21 classification and category owned, leased, or acquired by the person during the
22 current licensing period. If the owner or lessee has the special plate reissued to a
23 vehicle which has been previously registered in this state, the regular license plate
24 that is being replaced shall be returned to the county clerk who shall forward the
25 plate to the Transportation Cabinet.

26 (6) A special license plate may be issued to the owner or lessee of a motor vehicle that
27 is required to be registered under KRS 186.050(1), (3)(a), or (4)(a), except a special

1 license plate shall not be issued to a taxicab, limousine, or U-Drive-It registered and
2 licensed under this chapter or KRS Chapter 281. A person applying for a special
3 license plate shall apply in the office of the county clerk in the county of the
4 person's residence, except as provided in KRS 186.168(3). All special license plates
5 issued under this chapter may be combined with a personalized license plate under
6 the provisions of KRS 186.174. The fee to combine a special license plate with a
7 personalized license plate shall be as established in KRS 186.162(3).

8 (7) Within thirty (30) days of termination from election to, appointment to, or
9 membership with any group or organization, an applicant to whom a special license
10 plate was issued under this chapter shall return the special license plate to the
11 county clerk of the county of his or her residence, unless the person is merely
12 changing his or her status with the group or organization to retired.

13 (8) A group wanting to create a special license plate that is not authorized under this
14 chapter on June 27, 2019, shall comply with the following conditions before being
15 eligible to apply for a special license plate:

16 (a) The group shall be nonprofit and based, headquartered, or have a chapter in
17 Kentucky;

18 (b) The group may be organized for, but shall not be restricted to, social, civic, or
19 entertainment purposes;

20 (c) The message to be placed on the license plate, if created, shall not
21 discriminate against any race, color, religion, sex, or national origin, and shall
22 not be construed, as determined by the cabinet, as an attempt to victimize or
23 intimidate any person due to the person's race, color, religion, sex, or national
24 origin;

25 (d) The plate shall not represent a political party and shall not have been created
26 primarily to promote a specific political belief;

27 (e) The plate shall not have as its primary purpose the promotion of any specific

- 1 faith, religion, or antireligion;
- 2 (f) The plate shall not be the name of a special product or brand name, and shall
3 not be construed, as determined by the cabinet, as promoting a product or
4 brand name; and
- 5 (g) The plate's lettering, logo, image, or message to be placed on the license plate,
6 if created, shall not be obscene, as determined by the cabinet.
- 7 (9) If the cabinet denies to issue a group a special license plate based upon the
8 conditions specified in subsection (8) of this section, the cabinet shall, immediately
9 upon denying to issue a group a special license plate, notify in writing the
10 chairperson of both the House and Senate standing committees on transportation of
11 the denial and the reasons upon which the cabinet based the denial.
- 12 (10) If the cabinet approves a request for a special license plate, the cabinet shall begin
13 designing and printing the plate after:
- 14 (a) The group collects a minimum of nine hundred (900) applications with each
15 application being accompanied by a fee as set forth in KRS 186.162. The
16 applications and accompanying fee shall be submitted to the cabinet at one (1)
17 time as a whole and shall not be submitted individually or intermittently; and
- 18 (b) The group submits to the cabinet the programming and production costs for
19 the plate.
- 20 (11) A group that is approved for a special license plate shall maintain a minimum
21 number of five hundred (500) registrations annually for the cabinet to continue
22 production of the plate.
- 23 (12) An initial applicant for, or an applicant renewing, his or her registration for a
24 special license plate shall, at the time of application, make a contribution that the
25 county clerk shall forward to the cabinet as set forth in KRS 186.162. The cabinet
26 shall, on an annual basis, remit the contributions to the appropriate group identified
27 to be used for the declared purpose stated under subsection (13) of this section. The

1 cabinet may retain any investment income earned from holding contributions
2 designated to be remitted under this subsection to offset administrative costs
3 incurred by the cabinet in the administration of the contributions. Any group or
4 organization that receives a mandatory EF fee under KRS 186.162 shall maintain
5 the information required under subsection (13)(a) and (c) of this section with the
6 Transportation Cabinet.

7 (13) The group shall, at the time the nine hundred (900) applications are submitted to the
8 Transportation Cabinet, also submit a notarized affidavit to the cabinet attesting to:

9 (a) The name, address, and telephone number for the group or organization. If the
10 group or organization does not have its headquarters in the Commonwealth,
11 then the name, address, and telephone number for the group or organization's
12 Kentucky state chapter shall be required. The names of the officers of the
13 group or organization shall also be required. If the entity receiving funds
14 under subsection (12) of this section is not a state governmental agency, a
15 program unit within a state governmental agency, or is a group or
16 organization that does not have a statewide chapter, then a donation for use by
17 the group or organization shall be prohibited;

18 (b) The amount of the monetary donation the group wants to receive when a
19 person purchases the group or organization's special license plate; and

20 (c) The purpose for which the donated funds will be used by the group or
21 organization. Donated funds shall not be limited for use by members of the
22 group or organization, and shall not be used for administrative or personnel
23 costs of the group or organization.

24 (14) (a) All funds received by a group or organization under subsection (12) of this
25 section shall be deposited into an account separate from all other accounts the
26 group or organization may have.

27 (b) If the amount of money received in any fiscal year by a group or

1 organization under subsection (12) of this section is:

2 1. Equal to or greater than two hundred thousand dollars (\$200,000),
 3 ~~and~~ the account shall be audited yearly at the expense of the group or
 4 organization, and~~]~~ the completed audit shall be forwarded to the
 5 Transportation Cabinet; or

6 2. Less than two hundred thousand dollars (\$200,000), the group or
 7 organization shall submit a form to the cabinet attesting to its
 8 compliance with this section~~[in Frankfort].~~

9 (c) One hundred percent (100%) of the funds received by a group or organization
 10 under subsection (12) of this section shall be used for the express purpose
 11 identified by the group in subsection (13) of this section.

12 (d) Except as provided in paragraph (e) of this subsection, any agency, group,
 13 or organization that receives a mandatory EF fee under KRS 186.162 shall
 14 comply with~~[the provisions of]~~ this subsection.

15 (e) If a mandatory EF fee under Section 103 of this Act is directed into a fund
 16 established in statute, the agency controlling the fund shall not be required
 17 to keep the EF fee proceeds in a separate account.

18 (15) (a) No later than October 1, 2026, and each October 1 thereafter, any group or
 19 organization that receives funds under this section or EF fees under Section
 20 103 of this Act, or any agency that administers a fund established in statute
 21 that receives funds under this section or EF fees under Section 103 of this
 22 Act, shall submit a report on the use of these funds in the previous fiscal
 23 year to the:

24 1. Legislative Research Commission for referral to the Interim Joint
 25 Committee on Appropriations and Revenue; and
 26 2. Auditor of Public Accounts.

27 (b) The report required under paragraph (a) of this subsection shall include:

- 1 **1. The total receipts of the fund;**
- 2 **2. The sources of those receipts;**
- 3 **3. An accounting of all expenditures from the fund;**
- 4 **4. A detailed summary of the activities supported by EF fee proceeds,**
5 **including the amount of money spent on each activity;**
- 6 **5. The identification of any unexpended funds and the reason why the**
7 **funds were not expended; and**
- 8 **6. An explanation of how all expenditures align with program objectives.**

9 **(16)** The secretary of the Transportation Cabinet shall promulgate administrative
10 regulations **in accordance with**~~under~~ KRS Chapter 13A to establish additional
11 rules to implement the issuance of special license plates issued under this chapter,
12 including but not limited to:

- 13 (a) Documentation that will be required to accompany an application for a special
14 license plate to provide proof of:
 - 15 1. Election to the United States Congress or the Kentucky General
16 Assembly;
 - 17 2. Election or appointment to the Kentucky Court of Justice;
 - 18 3. Membership in a Masonic Order, Fraternal Order of Police, or
19 emergency management organization;
 - 20 4. Eligibility for membership in the Gold Star Mothers of America;
 - 21 5. Eligibility as a father for associate membership in the Gold Star Mothers
22 of America;
 - 23 6. Eligibility for membership in the Gold Star Wives of America;
 - 24 7. Ownership of an amateur radio operator license;
 - 25 8. Receipt of the Silver Star Medal;
 - 26 9. Receipt of the Bronze Star Medal;
 - 27 10. Receipt of the Air Medal;

- 1 11. Receipt of the Distinguished Flying Cross;
- 2 12. Receipt of the Combat Action Badge;
- 3 13. Receipt of the Combat Infantry Badge;
- 4 14. Eligibility for a Gold Star Siblings license plate for a person whose
- 5 sibling died while serving the country in the United States Armed
- 6 Forces. As used in~~[For the purposes of]~~ this subparagraph, "sibling"
- 7 means a sibling by blood, a sibling by half-blood, a sibling by adoption,
- 8 or a stepsibling; or
- 9 15. Eligibility for a Gold Star Sons or Gold Star Daughters license plate for
- 10 a person whose parent or stepparent died while serving the country in
- 11 the United States Armed Forces;
- 12 (b) The time schedule permissible for a group or organization to request a design
- 13 change for the special license plate; and
- 14 (c) The procedures for review of proposed license plates and the standards by
- 15 which proposed special license plates are approved or rejected in accordance
- 16 with subsection (10) of this section.
- 17 ~~(17)~~~~(16)~~ Any individual, group, or organization that fails to audit any funds as
- 18 required~~[received]~~ under this section~~[chapter]~~, or that intentionally uses any funds
- 19 received in any way other than attested to under subsection (13) of this section or
- 20 for administrative or personnel costs in violation of subsection (13) of this section,
- 21 shall be guilty of a Class D felony and upon conviction shall, in addition to being
- 22 subject to criminal penalties, be assessed a mandatory five thousand dollar (\$5,000)
- 23 fine.
- 24 ➔Section 105. KRS 186.041 is amended to read as follows:
- 25 (1) Each initial and renewal application by a person who meets the criteria of paragraph
- 26 (a) of this section and each initial application by a person who meets the criteria of
- 27 paragraph (b), (c), or (d) of this section for a special military license plate shall be

1 accompanied by proof as set forth in subsection (10) of this section that the person
2 is associated with the United States Army, United States Navy, United States Air
3 Force, United States Marine Corps, United States Space Force, United States Coast
4 Guard, United States Coast Guard Auxiliary, Kentucky National Guard, Merchant
5 Marines with service between December 7, 1941, and August 15, 1945, or Civil Air
6 Patrol in one (1) of the following ways:

- 7 (a) A member of the Armed Forces of the United States;
- 8 (b) A retired member;
- 9 (c) A member of the National Guard or Reserve component who has completed
10 his or her term of service, or has retired with a minimum of twenty (20) years
11 of service; or
- 12 (d) A veteran who received a discharge under honorable conditions, or the
13 veteran's surviving spouse, and:
- 14 1. Performed one hundred eighty (180) days of active-duty service;
 - 15 2. Received an early release due to injuries or other medical condition, or
16 at the convenience of the service;
 - 17 3. Received a hardship discharge;
 - 18 4. Was separated or retired due to a disability; or
 - 19 5. Was determined to have a service-connected disability incurred during
20 the enlistment.

21 (2) The member, retired member, veteran, reservist, or his or her spouse who is eligible
22 under subsection (9) of this section may purchase an unlimited number of special
23 military-related license plates described in subsection (1) of this section, annually
24 for vehicles they own or lease. A disabled veterans license plate shall expire on July
25 31.

26 (3) A recipient of the Distinguished Service Cross, Navy Cross, or Air Force Cross
27 shall be eligible for a Service Cross license plate upon submission of an application

1 to the Kentucky Department of Veterans' Affairs. The recipient shall be required to
2 include with the initial application for a Service Cross license plate a copy of the
3 general order that authorized the award and the recipient's Department of Defense
4 form number 214. The Department of Veterans' Affairs shall verify the
5 documentation submitted with the application for a Service Cross license plate, and
6 if the individual applying for the plate is confirmed to be a recipient of the
7 Distinguished Service Cross, Navy Cross, or Air Force Cross, the Department of
8 Veterans' Affairs shall submit the applicant's name to the Transportation Cabinet's
9 Division of Motor Vehicle Licensing not later than September 1 preceding the year
10 that the Service Cross license plate is to be initially issued or renewed. When the
11 Service Cross license plate is ready, the plate shall be sent to the county clerk in the
12 county of the applicant's residence. The Transportation Cabinet's Division of Motor
13 Vehicle Licensing shall inform each applicant in writing that the Service Cross
14 license plate is ready and may be picked up at the county clerk's office. The
15 Transportation Cabinet shall prescribe the type of application form required by this
16 subsection and shall supply the Department of Veterans' Affairs with the
17 application form required by this subsection.

18 (4) A person who is a former prisoner of the enemy during World War I, World War II,
19 the Korean War, or the Vietnam War, or the spouse of a deceased former prisoner
20 of war, shall be eligible for a former prisoner of war license plate by submitting
21 written proof from the United States Department of Veterans Affairs or other
22 appropriate federal agency stating the period of time the person or person's spouse
23 was a prisoner of war. If a former prisoner of war dies with a vehicle licensed as
24 authorized under this section, the person's surviving spouse may retain the license
25 plate for use on the same vehicle or on another vehicle that complies with KRS
26 186.164(7).

27 (5) A person who is certified by the Kentucky chapter of the Pearl Harbor Survivors

- 1 Association as being a survivor of the attack on Pearl Harbor shall be eligible for a
2 Pearl Harbor license plate and shall be required to attach to the special military-
3 related license plate application written evidence from the Kentucky chapter of the
4 Pearl Harbor Survivors Association that the person:
- 5 (a) Was a member of the United States Armed Forces on December 7, 1941;
 - 6 (b) Was on station on December 7, 1941, during the hours of 7:55 a.m. to 9:45
7 a.m., Hawaii time, at Pearl Harbor, the island of Oahu, or offshore at a
8 distance not to exceed three (3) miles;
 - 9 (c) Was discharged honorably from the United States Armed Forces; and
 - 10 (d) Is certified by the Kentucky chapter of the Pearl Harbor Survivors
11 Association.
- 12 (6) A person who is eligible to receive a Gold Star Mothers, Gold Star Fathers, or Gold
13 Star Spouses license plate under KRS 186.164~~(15)(a)~~(16)(a) may receive up to
14 two (2) Gold Star Mothers, Gold Star Fathers, or Gold Star Spouses license plates
15 free of charge and may purchase additional license plates by paying the same fee as
16 for special military-related plates issued under KRS 186.162(2)(d) annually for
17 vehicles he or she owns or leases.
- 18 (7) The surviving spouse of a Purple Heart recipient, or a Kentucky National Guard
19 member or a retired member, who possessed a vehicle licensed with the Purple
20 Heart recipient special license plate or the Kentucky National Guard special license
21 plate, may retain the license plate for use on the same vehicle or another vehicle
22 that complies with KRS 186.164(7). The surviving spouse may renew the license
23 plate indefinitely, provided the appropriate registration fee is paid annually.
- 24 (8) A person who is attending or who is a graduate of the United States Air Force
25 Academy, the United States Military Academy, the United States Naval Academy,
26 the United States Coast Guard Academy, or the United States Merchant Marine
27 Academy shall be eligible for a special military service academy license plate. A

1 special military service academy license plate under this subsection shall use the
2 same plate template as the standard special military license plate under subsection
3 (1) of this section, with stickers to identify the various service academies. The
4 Transportation Cabinet shall promulgate administrative regulations pursuant to
5 KRS Chapter 13A to establish the proof required to demonstrate current attendance
6 at or graduation from a service academy. An eligible applicant may receive up to
7 two (2) special military service academy license plates.

8 (9) (a) The legally married spouse of a member of the Armed Forces of the United
9 States who meets the criteria for a special military license plate under
10 subsection (1) of this section shall be eligible for a special military license
11 plate. A special military license plate under this subsection shall use the same
12 template as the standard special military license plate under subsection (1) of
13 this section, with a sticker identifying the plate as that of a military spouse.

14 (b) An applicant who is eligible for a special military license plate under this
15 subsection shall present as proof of eligibility an original or copy of his or her
16 marriage certificate establishing marriage to the member of the Armed Forces
17 of the United States and an original or copy of one (1) of the following:

- 18 1. His or her unexpired DD-1173 form; or
- 19 2. Any identification document outlined in subsection (10) of this section
20 issued to his or her spouse.

21 (10) Prior to receiving a special military-related plate requested under subsection (1) of
22 this section, the applicant shall present as proof of eligibility, an original or copy of
23 his or her:

- 24 (a) Unexpired Veteran Identification Card or Veteran Health Identification Card
25 issued by the United States Department of Veterans Affairs;
- 26 (b) DD-2, DD-214, DD-256, DD-257, or NGB-22 form; or
- 27 (c) Unexpired Geneva Conventions Identification Card issued by the United

1 States Department of Defense.

2 ➔Section 106. KRS 186.166 is amended to read as follows:

- 3 (1) The Transportation Cabinet shall, unless directed otherwise by the General
4 Assembly, perpetually produce the following special license plates: military license
5 plates, military unit license plates, U.S. Congressional license plates, firefighter
6 license plates, emergency management license plates, Fraternal Order of Police
7 license plates, Law Enforcement Memorial license plates, street rod license plates,
8 nature license plates, amateur radio license plates, Kentucky General Assembly
9 license plates, Kentucky Court of Justice license plates, Masonic Order license
10 plates, collegiate license plates, independent college and university license plates,
11 child victims' trust fund license plates, Kentucky Horse Council license plates,
12 Ducks Unlimited license plates, Gold Star Mothers, Fathers, and Spouses license
13 plates, Gold Star Siblings, Sons, and Daughters license plates, Silver Star Medal
14 license plates, Legion of Merit Medal license plates, Bronze Star Medal license
15 plates, Air Medal license plates, Distinguished Flying Cross license plates, Combat
16 Action Badge license plates, Combat Infantry Badge license plates, POW/MIA
17 Awareness license plates, spay neuter license plates, service academy license plates,
18 Friends of Kentucky Agriculture license plates, and I Support Veterans license
19 plates.
- 20 (2) The design of the plates identified for perpetual production under this section may
21 be revised upon request of a group or organization requesting a design revision
22 under the provisions of KRS 186.164~~(15)~~(16).
- 23 (3) (a) The design of a Purple Heart license plate shall not include any representation
24 of the word "Kentucky" that is a registered trademark or slogan which appears
25 on a general issue license plate.
- 26 (b) The design of a Purple Heart license plate shall include a representation of the
27 Purple Heart medal and the words "Combat Wounded."

1 ➔Section 107. KRS 154.32-010 is amended to read as follows:

- 2 (1) "Activation date" means the date established in the tax incentive agreement that is
3 within two (2) years of final approval;
- 4 (2) "Affiliate" means the following:
- 5 (a) Members of a family, including only brothers and sisters of the whole or half
6 blood, spouse, ancestors, and lineal descendants of an individual;
- 7 (b) An individual, and a corporation more than fifty percent (50%) in value of the
8 outstanding stock of which is owned, directly or indirectly, by or for that
9 individual;
- 10 (c) An individual, and a limited liability company of which more than fifty
11 percent (50%) of the capital interest or profits are owned or controlled,
12 directly or indirectly, by or for that individual;
- 13 (d) Two (2) corporations which are members of the same controlled group, which
14 includes and is limited to:
- 15 1. One (1) or more chains of corporations connected through stock
16 ownership with a common parent corporation if:
- 17 a. Stock possessing more than fifty percent (50%) of the total
18 combined voting power of all classes of stock entitled to vote or
19 more than fifty percent (50%) of the total value of shares of all
20 classes of stock of each of the corporations, except the common
21 parent corporation, is owned by one (1) or more of the other
22 corporations; and
- 23 b. The common parent corporation owns stock possessing more than
24 fifty percent (50%) of the total combined voting power of all
25 classes of stock entitled to vote or more than fifty percent (50%) of
26 the total value of shares of all classes of stock of at least one (1) of
27 the other corporations, excluding, in computing the voting power

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

- 1 1. More than fifty percent (50%) in value of the outstanding stock of the
2 corporation; and
- 3 2. More than fifty percent (50%) of the capital interest or the profits in the
4 limited liability company;
- 5 (m) A partnership or limited partnership and a limited liability company if the
6 same persons own:
- 7 1. More than fifty percent (50%) of the capital interest or profits in the
8 partnership or limited partnership; and
- 9 2. More than fifty percent (50%) of the capital interest or the profits in the
10 limited liability company;
- 11 (n) An S corporation and another S corporation if the same persons own more
12 than fifty percent (50%) in value of the outstanding stock of each corporation;
13 S corporation designation being the same as that designation under the
14 Internal Revenue Code of 1986, as amended;
- 15 (o) An S corporation and a C corporation, if the same persons own more than
16 fifty percent (50%) in value of the outstanding stock of each corporation; S
17 and C corporation designations being the same as those designations under the
18 Internal Revenue Code of 1986, as amended; or
- 19 (p) Two (2) or more limited liability companies, if the same persons own more
20 than fifty percent (50%) of the capital interest or are entitled to more than fifty
21 percent (50%) of the capital profits in the limited liability companies;
- 22 (3) "Agribusiness" means the processing of raw agricultural products, including but not
23 limited to timber and industrial hemp, or the performance of value-added functions
24 with regard to raw agricultural products;
- 25 (4) "Alternative fuel production" means a Kentucky operation that primarily produces
26 alternative transportation fuels for sale. The alternative fuel production may
27 produce electricity as a by-product if the primary function of the operations remains

- 1 the production and sale of alternative transportation fuels;
- 2 (5) "Alternative transportation fuels" has the same meaning as in KRS 152.715;
- 3 (6) "Approved company" means an eligible company that has received final approval
4 to receive incentives under this subchapter;
- 5 (7) "Approved costs" means the amount of eligible costs approved by the authority at
6 final approval;
- 7 (8) "Authority" means the Kentucky Economic Development Finance Authority
8 established by KRS 154.20-010;
- 9 (9) "Biomass resources" has the same meaning as in KRS 152.715;
- 10 (10) "Capital lease" means a lease classified as a capital lease by the Statement of
11 Financial Accounting Standards No. 13, Accounting for Leases, issued by the
12 Financial Accounting Standards Board, November 1976, as amended;
- 13 (11) "Carbon dioxide or hydrogen transmission pipeline" means the in-state portion of a
14 pipeline, including appurtenant facilities, property rights, and easements, that is
15 used exclusively for the purpose of transporting carbon dioxide or hydrogen to the
16 point of sale, storage, or other carbon or hydrogen management applications;
- 17 (12) "Coal severing and processing" means activities resulting in the eligible company
18 being subject to the tax imposed by KRS Chapter 143;
- 19 (13) "Commonwealth" means the Commonwealth of Kentucky;
- 20 (14) "Confirmed approved costs" means:
- 21 (a) For owned economic development projects, the documented eligible costs
22 incurred on or before the activation date; or
- 23 (b) For leased economic development projects:
- 24 1. The documented eligible costs incurred on or before the activation date;
25 and
- 26 2. Estimated rent to be incurred by the approved company throughout the
27 term of the tax incentive agreement.

1 For both owned and leased economic development projects, "confirmed approved
2 costs" may be less than approved costs, but shall not be more than approved costs;

3 (15) "Department" means the Department of Revenue;

4 (16) "Economic development project" means:

5 (a) The acquisition, leasing, or construction of a new facility;

6 (b) The acquisition, leasing, rehabilitation, or expansion of an existing facility; or

7 (c) The installation and equipping of a facility;

8 by an eligible company. "Economic development project" does not include any
9 economic development project that will result in the replacement of facilities
10 existing in the Commonwealth, except as provided in KRS 154.32-060;

11 (17) (a) "Eligible company" means any corporation, limited liability company,
12 partnership, limited partnership, sole proprietorship, business trust, or any
13 other entity with a proposed economic development project that is engaged in
14 or is planning to be engaged in one (1) or more of the following activities
15 within the Commonwealth:

16 1. Manufacturing;

17 2. Agribusiness;

18 3. Nonretail service or technology;

19 4. Headquarters operations, regardless of the underlying business activity
20 of the company;

21 5. Alternative fuel, gasification, energy-efficient alternative fuel, or
22 renewable energy production;

23 6. Carbon dioxide or hydrogen transmission pipeline;

24 7. Coal severing and processing; or

25 8. Hospital operations.

26 (b) "Eligible company" does not include companies where the primary activity to
27 be conducted within the Commonwealth is forestry, fishing, the provision of

1 utilities, construction, wholesale trade, retail trade, real estate, rental and
2 leasing, educational services, accommodation and food services, or public
3 administration services;

4 (18) "Eligible costs" means:

5 (a) For owned economic development projects:

- 6 1. Start-up costs;
- 7 2. Nonrecurring obligations incurred for labor and nonrecurring payments
8 to contractors, subcontractors, builders, and materialmen in connection
9 with the economic development project;
- 10 3. The cost of acquiring land or rights in land and any cost incidental
11 thereto, including recording fees;
- 12 4. The cost of contract bonds and of insurance of all kinds that may be
13 required or necessary for completion of an economic development
14 project which is not paid by a contractor or otherwise provided for;
- 15 5. All costs of architectural and engineering services, including test
16 borings, surveys, estimated plans and specifications, preliminary
17 investigations, and supervision of construction, as well as for the
18 performance of all the duties required for construction of the economic
19 development project;
- 20 6. All costs which are required to be paid under the terms of any contract
21 for the economic development project;
- 22 7. All costs incurred for construction activities, including site tests and
23 inspections; subsurface site work; excavation; removal of structures,
24 roadways, cemeteries, and other surface obstructions; filling, grading,
25 and providing drainage and storm water retention; installation of utilities
26 such as water, sewer, sewage treatment, gas, electric, communications,
27 and similar facilities; off-site construction of utility extensions to the

- 1 boundaries of the real estate; construction and installation of railroad
 2 spurs as needed to connect the economic development project to existing
 3 railways; or similar activities as the authority may determine necessary
 4 for construction of the economic development project; and
- 5 8. All other costs of a nature comparable to those described *in this*
 6 *paragraph, including but not limited to investments in:*
 7 *a. Laboratory equipment;*
 8 *b. Computer servers;*
 9 *c. Software;*
 10 *d. Capitalized leases; and*
 11 *e. Leasehold improvements;*
 12 *when the costs are integral to the operation of research and*
 13 *development, headquarters, high-technology operations, or service*
 14 *sector facilities*^[above]; and
- 15 (b) For leased economic development projects:
- 16 1. Start-up costs;
- 17 2. Building/leasehold improvements;~~[and]~~
- 18 3. Fifty percent (50%) of the estimated annual rent for each year of the tax
 19 incentive agreement; *and*
- 20 *4. Investments in:*
 21 *a. Laboratory equipment;*
 22 *b. Computer servers;*
 23 *c. Software; and*
 24 *d. Capitalized leases;*
 25 *when the costs are directly related to the establishment or expansion of*
 26 *research and development, headquarters, high-technology operations,*
 27 *or service sector facilities.*

- 1 Notwithstanding any other provision of this subsection, for economic development
2 projects that are not in enhanced incentive counties, the cost of equipment eligible
3 for recovery as an eligible cost shall not exceed twenty thousand dollars (\$20,000)
4 for each new full-time job created as of the activation date;
- 5 (19) "Employee benefits" means payments by an approved company for its full-time
6 employees for health insurance, life insurance, dental insurance, vision insurance,
7 defined benefits, 401(k), or similar plans;
- 8 (20) "Energy-efficient alternative fuel production" means a Kentucky operation that
9 produces for sale energy-efficient alternative fuels;
- 10 (21) "Energy-efficient alternative fuels" means homogeneous fuels that:
- 11 (a) Are produced from processes designed to densify feedstock coal, waste coal,
12 or biomass resources; and
- 13 (b) Have an energy content that is greater than the feedstock coal, waste coal, or
14 biomass resource;
- 15 (22) "Enhanced incentive counties" means counties certified by the authority pursuant to
16 KRS 154.32-050;
- 17 (23) "Final approval" means the action taken by the authority authorizing the eligible
18 company to receive incentives under this subchapter;
- 19 (24) (a) "Full-time job" means a job held by a person who:
- 20 1. Is required to work a minimum of thirty-five (35) hours per week; and
- 21 2. a. Is subject to the Kentucky individual income tax imposed by KRS
22 141.020; or
- 23 b. Works remotely away from the economic development project if
24 the job meets all of the following conditions:
- 25 i. Is held by a Kentucky resident;
- 26 ii. Was created as a result of the economic development project;
- 27 and

1 iii. The payroll of this job is expensed to the economic
2 development project.

3 (b) "Full-time job" does not include a job held by a resident of any state with a
4 reciprocal agreement between the Commonwealth and the other state as
5 described in KRS 141.070;

6 (25) "Gasification process" means a process that converts any carbon-containing
7 material into a synthesis gas composed primarily of carbon monoxide and
8 hydrogen;

9 (26) "Gasification production" means a Kentucky operation that primarily produces for
10 sale:

11 (a) Alternative transportation fuels;

12 (b) Synthetic natural gas;

13 (c) Chemicals;

14 (d) Chemical feedstocks; or

15 (e) Liquid fuels;

16 from coal, waste coal, coal-processing waste, or biomass resources, through a
17 gasification process. The gasification production may produce electricity as a by-
18 product if the primary function of the operations remains the production and sale of
19 alternative transportation fuels, synthetic natural gas, chemicals, chemical
20 feedstocks, or liquid fuels;

21 (27) "Headquarters" means the principal office where the principal executives of the
22 entity are located and from which other personnel, branches, affiliates, offices, or
23 entities are controlled;

24 (28) "Hospital" means a facility licensed by the Cabinet for Health and Family Services
25 under KRS Chapter 216B for the operation of a hospital and the basic services
26 provided by a hospital;

27 (29) "Incentives" means the incentives available under this subchapter, as listed in KRS

- 1 154.32-020(3);
- 2 (30) "Job target" means the annual average number of new full-time jobs that the
3 approved company commits to create and maintain at the economic development
4 project, which shall not be less than ten (10) new full-time jobs;
- 5 (31) "Kentucky gross receipts" has the same meaning as in KRS 141.0401;
- 6 (32) "Kentucky gross profits" has the same meaning as in KRS 141.0401;
- 7 (33) "Lease agreement" means an agreement between an approved company and an
8 unrelated entity conveying the right to use a facility, the terms of which reflect an
9 arms' length transaction. "Lease agreement" does not include a capital lease;
- 10 (34) "Leased project" means an economic development project site occupied by an
11 approved company pursuant to a lease agreement;
- 12 (35) "Manufacturing" means any activity involving:
- 13 (a) Processing, assembling, or production of any property, including the
14 processing resulting in a change in the conditions of the property and any
15 activity related to the processing, assembling, or production of property,
16 together with the storage, warehousing, distribution, and related office
17 facilities; or
- 18 (b) Production of vital medications, personal protective equipment, or equipment
19 necessary to produce personal protective equipment;
- 20 (36) (a) "Nonretail service or technology" means any activity where service or
21 technology is provided predominantly outside the Commonwealth and
22 designed to serve a multistate, national, or international market.
- 23 (b) "Nonretail service or technology" includes but is not limited to call centers,
24 centralized administrative or processing centers, telephone or Internet sales
25 order or processing centers, distribution or fulfillment centers, data processing
26 centers, research and development facilities, and other similar activities;
- 27 (37) "Owned project" means an economic development project owned in fee simple by

1 the approved company or an affiliate, or possessed by the approved company or an
2 affiliate pursuant to a capital lease;

3 (38) "Personal protective equipment" means protective clothing, helmets, gloves, face
4 shields, goggles, face masks, respirators, and other equipment designed to protect
5 the user from injury or the spread of infection or illness;

6 (39) "Preliminary approval" means the action taken by the authority preliminarily
7 approving an eligible company for incentives under this subchapter;

8 (40) "Renewable energy production" means a Kentucky operation that utilizes wind
9 power, biomass resources, landfill methane gas, hydropower, solar power, or other
10 similar renewable resources to generate electricity for sale to unrelated entities;

11 (41) "Rent" means the actual annual rent or fee paid by an approved company under a
12 lease agreement;

13 (42) "Start-up costs" means nonrecurring costs incurred to furnish and equip a facility
14 for an economic development project, including costs incurred for:

15 (a) Computers, furnishings, office equipment, manufacturing equipment, and
16 fixtures;

17 (b) The relocation of out-of-state equipment;~~and~~

18 (c) Cost of fixed telecommunications equipment; **and**

19 **(d) Investments in:**

20 **1. Laboratory equipment;**

21 **2. Computer servers;**

22 **3. Software;**

23 **4. Capitalized leases; and**

24 **5. Leasehold improvements;**

25 **when the costs are necessary to accommodate research and development,**

26 **headquarters, high-technology operations, or service sector facilities;**

27 as certified to the authority in accordance with KRS 154.32-030;

- 1 (43) "Synthetic natural gas" means the same thing as in KRS 152.715;
- 2 (44) "Tax incentive agreement" means the agreement entered into pursuant to KRS
3 154.32-040 between the authority and an approved company;
- 4 (45) "Term" means the period of time for which a tax incentive agreement may be in
5 effect, which shall not exceed fifteen (15) years for an economic development
6 project located in an enhanced incentive county, or ten (10) years for an economic
7 development project not located in any other county;
- 8 (46) "Vital medications" means any drug or biologic used to prevent or treat a serious
9 life-threatening disease or medical condition for which there is no other available
10 source with sufficient supply of that drug or biologic or alternative drug or biologic;
- 11 (47) "Wage" means the per hour earnings of a full-time employee, including wages, tips,
12 overtime, bonuses, and commissions, as reflected on the employee's federal form
13 W-2 wage and tax statement, but excludes employee benefits; and
- 14 (48) "Wage target" means the average total hourly compensation amount, including the
15 minimum wage and employee benefits, that the approved company commits to
16 meet for all new full-time jobs created and maintained as a result of the economic
17 development project, which shall not be less than:
- 18 (a) One hundred twenty-five percent (125%) of the federal minimum wage in
19 enhanced incentive counties; or
- 20 (b) One hundred fifty percent (150%) of the federal minimum wage in all other
21 counties.
- 22 ➔Section 108. KRS 143.022 is amended to read as follows:
- 23 (1) A taxpayer engaged in severing or processing coal within this Commonwealth that
24 has paid the tax imposed under KRS 143.020 may apply for a refund equal to the
25 amount of tax paid under KRS 143.020 if the coal is transported directly to a market
26 outside of North America.
- 27 (2) To apply for the refund allowed under subsection (1) of this section the taxpayer

1 shall file an application for refund with the department and submit all information
2 and documentation necessary to substantiate that the tax was paid upon the coal
3 which was transported directly to a market outside of North America.

4 (3) The refund process allowed under subsection (1) of this section is available
5 beginning on or after August 1, 2020, but before July 1, ~~2028~~[2026], and limited
6 during any calendar year to the export of a combined total of ten million
7 (10,000,000) tons of coal subject to the tax imposed under KRS 143.020 and
8 exported through United States coal export terminals to markets outside of North
9 America.

10 **(4) (a) By November 1, 2026, and each November 1 thereafter as long a refund is**
11 **issued under this section, the department shall report to the Legislative**
12 **Research Commission for referral to the Interim Joint Committee on**
13 **Appropriations and Revenue:**

14 **1. By county:**

15 **a. The total number of refunds requested for the taxable year;**

16 **b. The total dollar amount of the refunds requested for the taxable**
17 **year;**

18 **c. The total number of refunds issued for the taxable year; and**

19 **d. The total dollar amount of the refunds issued for the taxable**
20 **year; and**

21 **2. By taxpayer:**

22 **a. The name and location of the taxpayer requesting the refund as**
23 **listed on the tax return; and**

24 **b. The total dollar amount of the refund issued for the taxable year.**

25 **(b) The information required to be reported under this section shall not be**
26 **considered confidential taxpayer information and shall not be subject to**
27 **KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes**

1 *prohibiting disclosure or reporting of information.*

2 ➔Section 109. Notwithstanding KRS 45.777, a postsecondary institution's
3 governing board may elect to sell or dispose of real property purchased in whole or in
4 part with capital construction funds, or equipment purchased in whole or in part with
5 state moneys. If the governing board elects to sell the real property or equipment, a
6 detailed accounting of the cost of the real property or equipment, the maintenance of the
7 property or equipment using moneys from an asset preservation pool appropriation, and
8 the proceeds from the sale of the real property or equipment shall be submitted to the
9 Office of State Budget Director and the Interim Joint Committee on Appropriations and
10 Revenue within 30 days from the sale of the real property or equipment. Proceeds from
11 the sale of the real property or equipment shall be designated by the postsecondary
12 institution, on a proportionate basis, based on the funding sources used for the acquisition
13 and maintenance of the real property or equipment sold.

14 ➔Section 110. **Urgent Needs School Assistance:** If authorized in 2014 Ky. Acts
15 ch. 117, Part I, A., 28., (5), 2014 Ky. Acts ch. 117, Part I, C., 1., (19), 2016 Ky. Acts ch.
16 149, Part I, A., 28., (4) and (5), 2018 Ky. Acts ch. 169, Part I, A., 27., (3), or 2021 Ky.
17 Acts ch. 169, Part I, A., 28., (3), and subsequently, as a result of litigation or insurance, it
18 receives funds for the original facility, the school district shall reimburse the
19 Commonwealth an amount equal to that received for such purposes. If the litigation or
20 insurance receipts are less than the amount received, the district shall reimburse the
21 Commonwealth an amount equal to that received as a result of litigation or insurance less
22 the district's costs and legal fees in securing the judgment or payment. Any funds
23 received in this manner shall be deposited in the General Fund.

24 ➔Section 111. The following KRS sections are repealed:

25 160.621 Excise tax on individual income for schools.

26 160.625 Excise tax returns -- Payment -- Form.

27 160.627 Information on state income tax liability of school district residents --

1 Department of Revenue as tax collector.

2 160.633 Deposit of excise tax proceeds.

3 ➔Section 112. The following KRS sections are repealed:

4 211.390 Definitions for KRS 211.392.

5 211.392 Fluidized bed combustion technology tax exemption certificate.

6 ➔Section 113. Sections 1, 10 to 16, 43, and 99 to 101 of this Act take effect
7 August 1, 2026.

8 ➔Section 114. Sections 9, 68, and 69 of this Act take effect January 1, 2027.

9 ➔Section 115. The exemption granted in Section 93 of this Act and the authority
10 granted in Sections 95 and 96 of this Act shall apply retroactively to January 1, 2020,
11 including with regard to any activities undertaken prior to the effective date of Sections
12 93, 95, and 96 of this Act by an entity to which the exemption or authority is conferred.

13 ➔Section 116. Sections 102 to 106 of this Act shall apply retroactively to January
14 1, 2026.

15 ➔Section 117. Whereas funding the operations of state government is an essential
16 part of the Commonwealth's budget, an emergency is declared to exist, and Sections 17 to
17 20, 32 to 34, 36 to 40, 55 to 67, 70 to 90, and 108 to 111 of this Act take effect upon
18 passage and approval by the Governor or upon otherwise becoming a law.