

# FREE CONFERENCE COMMITTEE REPORT

The Free Conference Committee on **HB 869** has met as provided in the Rules of the House and Senate and hereby reports the following to be adopted:

  X   GA        SCS        HCS

For the above-referenced bill, with these amendments (if applicable):

Committee (list by chamber and number):       ;

Floor (list by chamber and number):       ; and

The following Free Conference Committee action:

On page 1, line 7, after "in", delete "Sections 9 and 13" and insert "Section 13" in lieu thereof;  
and

On page 1, line 9, after "in", delete "Sections 9 and 13" and insert "Section 13" in lieu thereof;

On page 1, line 11, after "Section", delete "10 or"; and

On page 1, line 23, after "Section", delete "10 or"; and

On page 1, line 24, after "under", delete "Sections 10 and 17"; and insert "Section 17" in lieu thereof;

On page 1, delete line 25, and insert in lieu thereof:

"Act shall not exceed four million dollars (\$4,000,000) per taxable year, of which no more than one million dollars (\$1,000,000) shall be allowed for wages paid to full-time employees in counties other than heritage counties."; and

On page 3, line 26, after "KRS 141.423;", bracket and strike through "and"; and

On page 3, line 27, after "KRS 141.391;", insert "and"; and

On page 3, after line 27, insert:

"(aa) The alternative jet fuel producer credit permitted by Section 42 of this Act;"; and

On page 4, line 22, after "KRS 141.209;", delete "and"; and

1 On page 4, line 23, after "Act";, insert "and"; and

2 On page 4, after line 23, insert:

3 "(i) The certified mixed-use development credit permitted by Section 31 of this Act";

4 and

5 On page 6, line 10, after "141.522;", bracket and strike through "and"; and

6 On page 6, after line 12, insert:

7 "(ac) The alternative jet fuel producer credit permitted by Section 42 of this Act; and";

8 and

9 On page 6, line 21, after "KRS 141.209:", delete "and"; and

10 On page 6, line 22, after "Act", insert:

11 "; and

12 "(g) The certified mixed-use development credit permitted by Section 31 of this Act";

13 and

14 On page 9, line 19, after "attraction:", delete "and"; and

15 On page 9, line 20, after "credit", insert:

16 ":

17 21. Section 42 of this Act for purposes of the alternative jet fuel producer credit; and

18 22. Section 31 of this Act for purposes of the certified-mixed use development credit";

19 and

20 On page 12, line 26, after "hundred", bracket and strike through "fifty"; and

21 On page 12, line 26, after "percent", delete "(250%)" and insert "(200%)" in lieu thereof; and

22 On page 13, line 1, after "hundred", delete "fifty"; and

23 On page 13, line 1, after "percent", delete "(350%)", and insert "(300%)" in lieu thereof; and

24 On page 15, line 9, after "thousand", insert "five hundred"; and

25 On page 15, line 10, delete "(\$4,000)" and insert "(\$4,500)" in lieu thereof; and

26 On page 15, line 11, after "thousand" insert "five hundred"; and

27 On page 15, line 11, delete "(\$3,000)" and insert "(\$3,500)" in lieu thereof; and

- 1 On page 22, line 11, after "million" delete "four" and insert "five" in lieu thereof; and
- 2 On page 22, line 11, delete "(\$2,400,000)" and insert "(\$2,500,000)" in lieu thereof; and
- 3 On page 34, beginning on line 26 and continuing to page 35 through line 11, delete this language
- 4 in its entirety; and
- 5 On page 35, line 12, delete "(4)" and replace with "(3)"; and
- 6 On page 35, beginning with line 15 and continuing to page 38, line 19 delete Section 11 in its
- 7 entirety and insert in lieu thereof:
- 8 "➔Section 11. KRS 65.4931 is amended to read as follows:
- 9 (1) As used in this section:
- 10 (a) "Borrower" means the entity receiving the proceeds from a new bond issued because
- 11 of an extended tax increment financing agreement allowed under KRS
- 12 65.490(12)(~~10~~);
- 13 (b) "Excess revenues" means all moneys which exceed the costs associated with the
- 14 borrower's operating expenses, capital expenditures, and the regularly scheduled debt
- 15 service on the bond; and
- 16 (c) "Term of the bond" shall begin on the date any current bonds are refinanced, reissued,
- 17 or restructured and shall end upon the earlier of the stated maturity date of the bond
- 18 or the payment in full of the bond.
- 19 (2) A pilot program may be extended for a period not to exceed an additional twenty-five (25)
- 20 years in connection with the issuance of a new bond by the Kentucky Economic
- 21 Development Finance Authority if the pilot program agreement contains provisions
- 22 requiring that:
- 23 (a) The borrower use all excess revenues to redeem the bond prior to the stated maturity
- 24 date;
- 25 (b) 1. Once the bond is callable, the borrower apply all excess revenues to the
- 26 redemption of the bond prior to the stated maturity date at least every thirty-six
- 27 (36) months; and

1           2. If it is the position of the borrower that the application of all excess revenues to  
2           the redemption of the bond prior to the stated maturity date jeopardizes the  
3           project, the borrower shall present an alternative payment plan for that thirty-six  
4           (36) month period to the Capital Projects and Bond Oversight Committee for  
5           approval; and

6           (c) No further revenues under the pilot program be remitted to the borrower following  
7           the end of the term of the bond.

8 (3) The borrower shall submit a report to the Governor and the Capital Projects and Bond  
9           Oversight Committee on or before November 1, 2018, and annually thereafter regarding  
10          the operations and financial condition of the borrower."; and

11 On page 47, bracket and strike through lines 2 through 5 and delete "heritage" on line 3; and  
12 Beginning on page 50, line 23, and continuing to page 51, line 2, delete all text in its entirety,  
13 and insert in lieu thereof:

14 "(42) "Start-up costs" means nonrecurring costs, with the exception of paragraphs (d) and (e) of  
15 this subsection, incurred to furnish and equip a facility for an economic development  
16 project, including costs incurred for:

17 (a) Computers, furnishings, office equipment, manufacturing equipment, and fixtures;

18 (b) The relocation of out-of-state equipment; ~~and~~

19 (c) Recurring software subscription or licensing fees covering a period not to exceed  
20 one (1) year from activation of the project;

21 (d) The initial software and licensing costs association with each new full-time job  
22 created; and

23 (e) Cost of fixed telecommunications equipment;

24 as certified to the authority in accordance with KRS 154.32-030;"; and

25 On page 51, line 21, delete "Two hundred fifty percent (250%)" and insert "Two hundred  
26 percent (200%)" in lieu thereof; and

27 On page 51, line 23, delete "Three hundred fifty percent (350%)" and insert "Three hundred

1 percent (300%)" in lieu thereof; and

2 On page 52, line 27, delete "two hundred fifty percent (250%)" and insert "two hundred percent  
3 (200%)" in lieu thereof; and

4 On page 53, lines 2 to 3, delete "three hundred fifty percent (350%)" and insert "three hundred  
5 percent (300%)" in lieu thereof; and

6 On page 64, delete lines 9 through 20 in their entirety and insert in lieu thereof:

7 "amount up to:

8 1. Two and one-quarter percent (2.25%) of the wages paid to full-time  
9 employees who are subject to the tax imposed by KRS 141.020 and  
10 maintained at an economic development project located in a heritage county;  
11 and

12 2. One and one-quarter percent (1.25%) of the wages paid to full-time  
13 employees who are subject to the tax imposed by KRS 141.020 and  
14 maintained at an economic development project located in any other county.

15 (b) The cumulative credits awarded:

16 1. To an approved company under this subsection for any year of the agreement  
17 shall not exceed the annual maximum approved costs of the economic  
18 development project as provided in the tax incentive agreement; and

19 2. Shall not exceed four million dollars (\$4,000,000) per taxable year, of which  
20 no more than one million dollars (\$1,000,000) shall be allowed for wages paid  
21 to full-time employees in counties other than heritage counties."; and

22 On page 105, after line 18, insert the following:

23 "➔SECTION 30. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS  
24 CREATED TO READ AS FOLLOWS:

25 (1) As used in this section:

26 (a) "Authority" means the Kentucky Economic Development Finance Authority  
27 established by KRS 154.20-010;

1 (b) "Certified mixed-use rehabilitation" means the development, rehabilitation,  
2 renovation, and improvement of a qualified abandoned building that will serve at  
3 least two (2) of the following purposes, in its finished, rehabilitated state:

- 4 1. Commercial;
- 5 2. Residential; or
- 6 3. Retail;

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

8 (d) "Eligible rehabilitation expenses" means all costs incurred in association with the  
9 certified mixed-use rehabilitation of a qualified abandoned building and includes:

- 10 1. Building and construction materials;
- 11 2. The costs of fixture installation; and
- 12 3. Labor and mechanics costs;

13 (e) "Qualified abandoned building" means a vacant structure that:

- 14 1. Contains a minimum of two hundred twenty-five thousand (225,000) square  
15 feet of gross leasable area;
- 16 2. Is located within an urban core area;
- 17 3. Has a minimum vacancy rate by square footage of at least fifty percent (50%)  
18 for a continuous period of at least six (6) months immediately prior to the  
19 certified mixed-use rehabilitation; and
- 20 4. Is not a project that has been awarded the certified rehabilitation credit under  
21 KRS 171.397;

22 (f) "Taxpayer" means any person or entity who:

- 23 1. a. Incurs eligible rehabilitation expenses for a certified mixed-use  
24 rehabilitation; or
- 25 b. Is the recipient of a certified mixed-use rehabilitation credit which is  
26 transferred as provided in subsection (7)(b) of this section; and
- 27 2. Is subject to the taxes imposed by KRS 136.320, 136.330, 136.340, 136.350,

1                   136.370, 136.390, 141.020, 304.3-270, or 141.040 and 141.0401; and

2           (g) "Urban core area" means a central, downtown part of this state that is located  
3           within a metropolitan statistical area with a population of greater than three  
4           hundred thousand (300,000) based on the most recent federal decennial census.

5   (2) There is hereby created the certified mixed-use rehabilitation credit.

6   (3) For taxable years beginning on or after January 1, 2028, but before January 1, 2032, a  
7   taxpayer shall be allowed a refundable, transferrable certified mixed-use rehabilitation  
8   credit against the taxes imposed by:

9           (a) KRS 141.020 or 141.040 and 141.0401, with the ordering of the credits as provided  
10           in Section 2 of this Act; or

11           (b) KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, and 304.3-270, with the  
12           ordering of the credits as provided in Section 33 of this Act.

13   (4) The credit shall be:

14           (a) Equal to twenty percent (20%) of the eligible rehabilitation expenses incurred  
15           during the taxable year; and

16           (b) Limited to:

17                   1. Twenty-five million dollars (\$25,000,000) per eligible taxpayer; and

18                   2. A total of fifty million dollars (\$50,000,000) for all tax credits preliminarily  
19                   approved for each calendar year in which the credit is available.

20   (5) (a) An eligible taxpayer seeking the credit provided under this section shall file an  
21   application with the authority for preliminary approval by December 31, 2027, and  
22   by each December 31 thereafter of the calendar year immediately preceding in the  
23   calendar year in which the certified mixed-use rehabilitation will take place, and  
24   include the following:

25                   1. Project location;

26                   2. Proposed start and completion date of the project;

27                   3. Anticipated costs to be incurred;

- 1           4. Verification that the building meets the requirements established in  
2           subsection (1) of this section as a qualified abandoned building;
- 3           5. Detailed rehabilitation plans that outline the projected use of the qualified  
4           abandoned building in its final, rehabilitated state; and
- 5           6. Any other information the authority may require to provide preliminary  
6           project approval.
- 7           (b) The authority shall provide preliminary approval with the anticipated credit  
8           amount to be awarded by January 15, 2028, and each January 15 thereafter as  
9           long as the credit is available and shall:
- 10           1. Create the application by which a taxpayer may apply for preliminary and  
11           final credit approval;
- 12           2. Provide notification to the taxpayer of preliminary and final credit approval;  
13           and
- 14           3. Promulgate administrative regulations in accordance with KRS Chapter 13A  
15           necessary to implement this section.
- 16           (6) (a) If the total amount of credits granted preliminary approval for a calendar year  
17           under subsection (5) of this section:
- 18           1. Exceeds fifty million dollars (\$50,000,000), each taxpayer shall receive no  
19           more than its applicable pro rata share as determined by the authority; or
- 20           2. Is less than fifty million dollars (\$50,000,000), the difference between the  
21           amount of credits preliminarily approved and the maximum amount available  
22           in accordance with subsection (4) of this section, shall be added to the  
23           maximum amount of credit available for preliminary approval in the next  
24           calendar year.
- 25           (b) In the event that credits are divided pro rata among all applicants, the authority  
26           shall provide notification to the taxpayer with preliminary credit approval.
- 27           (7) Within thirty (30) days of completion of the certified mixed-use rehabilitation project, the

1 taxpayer shall:

2 (a) Submit an application to the authority for final credit approval;

3 (b) Include an irrevocable election to:

4 1. Use the credit; or

5 2. Transfer the credit, in which case the following shall be included:

6 a. Transferee's taxpayer identification number; and

7 b. Amount of credit to be transferred; and

8 (c) Provide documentation of final project dates and actual costs incurred as projected  
 9 in subsection (5) of this section.

10 (8) Within sixty (60) days of the taxpayer's final application submission, the authority shall:

11 (a) Review and verify all actual eligible rehabilitation expenses incurred; and

12 (b) Provide notification of final credit determination to the taxpayer and the  
 13 department, which may be claimed on the taxpayer's return for the taxable year.

14 (9) The authority shall notify the department following approval of a certified mixed-use  
 15 rehabilitation project and include:

16 (a) The name and taxpayer identification number of each approved taxpayer;

17 (b) The location of each certified-mixed use rehabilitation project approved;

18 (c) The total amount of credit available for each taxpayer; and

19 (d) Any other information required by the department.

20 ➔SECTION 31. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ  
 21 AS FOLLOWS:

22 (1) As used in this section:

23 (a) "Approved taxpayer" means any person or entity:

24 1. Subject to the taxes imposed in KRS 141.020 or 141.040 and 141.0401; and

25 2. That is the recipient of a certified rehabilitation credit or transferred credit as  
 26 determined by the authority in accordance with Section 30 of this Act;

27 (b) "Authority" has the same meaning as in Section 30 of this Act;

1 (c) "Certified mixed-use rehabilitation" has the same meaning as in Section 30 of this  
2 Act; and

3 (d) "Eligible rehabilitation expenses" has the same meaning as in Section 30 of this  
4 Act.

5 (2) (a) For taxable years beginning on or after January 1, 2028, but before January 1,  
6 2032, there shall be allowed a refundable, transferrable certified rehabilitation  
7 credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401, with the  
8 ordering of the credit as provided by in Section 2 of this Act.

9 (b) In the case of a pass-through entity not subject to the tax imposed by KRS 141.040,  
10 the credit shall be taken against the tax imposed by KRS 141.0401 and shall be  
11 claimed by the partners, members, or shareholders in accordance with their  
12 proportionate share of income.

13 (c) The amount of the credit that may be claimed in a taxable year by the approved  
14 taxpayer shall:

15 1. Be equal to the amount determined and approved by the authority in  
16 accordance with Section 30 of this Act; and

17 2. Not exceed twenty-five million dollars (\$25,000,000).

18 (3) A taxpayer receiving the credit may elect to transfer the credit to another taxpayer or  
19 insurer as provided by subsection (7)(b) of Section 30 of this Act.

20 (4) The department may promulgate administrative regulations in accordance with KRS  
21 Chapter 13A to establish policies and procedures to implement this section.

22 (5) (a) By November 1 of each year in which a certified mixed-use rehabilitation credit is  
23 claimed, the department, working with the authority, shall report to the Legislative  
24 Research Commission for referral to the Interim Joint Committee on  
25 Appropriations and Revenue, the following:

26 1. The location of each certified mixed-use rehabilitation project;

27 2. The total amount of credit claimed by project location for the taxable year;

1           3. The total amount of credit claimed by each approved taxpayer; and

2           4. The total amount of all credit claimed by all taxpayers for the taxable year.

3           **(b) The information required to be reported under this section shall not be considered**  
 4           **confidential taxpayer information and shall not be subject to KRS Chapter 131 or**  
 5           **any other provisions of the Kentucky Revised Statutes prohibiting disclosure or**  
 6           **reporting of information.**

7           ➔SECTION 32. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO READ  
 8 AS FOLLOWS:

9           **For calendar years beginning on or after January 1, 2028, but before January 1, 2032, a**  
 10           **taxpayer incurring eligible rehabilitation expenses shall be allowed a refundable, transferable**  
 11           **credit against the taxes imposed by KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390,**  
 12           **or 304.3-270, with the ordering of the credit as provided by in Section 33 of this Act.**

13           ➔SECTION 33. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO READ  
 14 AS FOLLOWS:

15           **(1) For purposes of the credit permitted by Section 30 of this Act, if a taxpayer is entitled to**  
 16           **more than one (1) of the tax credits allowed against the taxes imposed by KRS 136.320,**  
 17           **136.320, 136.330, 136.340, 136.350, 136.370, 136.390, and 304.3-270, the priority of**  
 18           **application and use of the credit shall be determined as follows:**

19           **(a) The nonrefundable credits shall be taken in the following order:**

20           **1. The Kentucky Investment Fund Act credit permitted by KRS 154.20-258; and**

21           **2. The New Markets Development Program credit permitted by KRS 141.434;**

22           **and**

23           **(b) After the application of the nonrefundable credits in paragraph (a) of this**  
 24           **subsection, the refundable certified mixed-use rehabilitation credit permitted by**  
 25           **Section 32 of this Act shall be taken.**

26           **(2) A taxpayer claiming a credit against any of the insurance premiums taxes imposed by**  
 27           **KRS 136.320, 136.330, 136.340, 136.350, 136.370, or 136.390 shall not be required to**

1 pay additional retaliatory tax imposed by KRS 304.3-270.

2 (3) The Department of Revenue shall include information about this credit in the report  
3 required under subsection (5) of Section 31 of this Act.

4 ➔Section 34. KRS 148.853 is amended to read as follows:

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

6 (a) The general welfare and material well-being of the citizens of the Commonwealth  
7 depend in large measure upon the development of tourism in the Commonwealth;

8 (b) It is in the best interest of the Commonwealth to provide incentives for the creation of  
9 new tourism attractions and the expansion of existing tourism attractions within the  
10 Commonwealth in order to advance the public purposes of relieving unemployment  
11 by preserving and creating jobs that would not exist if not for the incentives offered  
12 by the authority to approved companies, and by preserving and creating sources of  
13 tax revenues for the support of public services provided by the Commonwealth;

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

16 (d) That the creation or expansion of tourism development projects is of paramount  
17 importance mandating that the provisions of KRS 139.536 and KRS 148.851 to  
18 148.860 be liberally construed and applied in order to advance public purposes.

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

21 (a) For a tourism attraction project:

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

27 2. In any year, including the first year of operation, the tourism attraction project

- 1 shall be open to the public at least one hundred (100) days; and
- 2 3. In any year following the third year of operation, the tourism attraction project
- 3 shall attract at least twenty-five percent (25%) of its visitors from among
- 4 persons who are not residents of the Commonwealth;
- 5 (b) For an entertainment destination center project:
- 6 1. The total eligible costs shall exceed five million dollars (\$5,000,000);
- 7 2. The facility shall contain a minimum of two hundred thousand (200,000) square
- 8 feet of building space adjacent or complementary to an existing tourism
- 9 attraction project or a major convention facility;
- 10 3. The incentives shall be dedicated to a public infrastructure purpose that shall
- 11 relate to the entertainment destination center project;
- 12 4. In any year, including the first year of operation, the entertainment destination
- 13 center project shall:
- 14 a. Be open to the public at least one hundred (100) days per year;
- 15 b. Maintain at least one (1) major theme restaurant and at least three (3)
- 16 additional entertainment venues, including but not limited to live
- 17 entertainment, multiplex theaters, large-format theater, motion simulators,
- 18 family entertainment centers, concert halls, virtual reality or other
- 19 interactive games, museums, exhibitions, or other cultural and leisure-
- 20 time activities; and
- 21 c. Maintain a minimum occupancy of sixty percent (60%) of the total gross
- 22 area available for lease with entertainment and food and drink options not
- 23 including the retail sale of tangible personal property; and
- 24 5. In any year following the third year of operation, the entertainment destination
- 25 center project shall attract at least twenty-five percent (25%) of its visitors from
- 26 among persons who are not residents of the Commonwealth;
- 27 (c) For a theme restaurant destination attraction project:

- 1           1.    The total eligible costs shall exceed five million dollars (\$5,000,000);
- 2           2.    In any year, including the first year of operation, the attraction shall:
  - 3           a.    Be open to the public at least three hundred (300) days per year and for at
  - 4           least eight (8) hours per day; and
  - 5           b.    Generate no more than fifty percent (50%) of its revenue through the sale
  - 6           of alcoholic beverages;
- 7           3.    In any year following the third year of operation, the theme restaurant
- 8           destination attraction project shall attract a minimum of fifty percent (50%) of
- 9           its visitors from among persons who are not residents of the Commonwealth;
- 10          and
- 11          4.    The theme restaurant destination attraction project shall:
  - 12          a.    At the time of final approval, offer a unique dining experience that is not
  - 13          available in the Commonwealth within a one hundred (100) mile radius of
  - 14          the attraction;
  - 15          b.    In any year, including the first year of operation, maintain seating capacity
  - 16          of four hundred fifty (450) guests and offer live music or live musical and
  - 17          theatrical entertainment during the peak business hours that the facility is
  - 18          in operation and open to the public; or
  - 19          c.    Within three (3) years of the completion date, the attraction shall obtain a
  - 20          top two (2) tier rating by a nationally accredited service and shall maintain
  - 21          a top two (2) tier rating through the term of the agreement;
- 22          (d)   For a lodging facility project defined in KRS 148.851(15)(a):
  - 23          1.    a.    The eligible costs shall exceed five million dollars (\$5,000,000) unless the
  - 24          provisions of subdivision b. of this subparagraph apply.
  - 25          b.    i.    If the lodging facility is an integral part of a major convention or
  - 26          sports facility, the eligible costs shall exceed six million dollars
  - 27          (\$6,000,000); and

- 1                   ii. If the lodging facility includes five hundred (500) or more guest  
2                   rooms, the eligible costs shall exceed ten million dollars  
3                   (\$10,000,000); and
- 4           2. In any year, including the first year of operation, the lodging facility shall:
- 5               a. Be open to the public at least one hundred (100) days; and
- 6               b. Attract at least twenty-five percent (25%) of its visitors from among  
7               persons who are not residents of the Commonwealth;
- 8   (e) For a lodging facility project defined in KRS 148.851(15)(b):
- 9           1. The eligible costs shall exceed one hundred million dollars (\$100,000,000); and
- 10          2. The lodging facility shall:
- 11               a. Be open to the public at least one hundred (100) days each year, including  
12               the first year of operation; and
- 13               b. In any year following the third year of operation, attract a minimum of  
14               twenty-five percent (25%) of its overnight visitors from among persons  
15               who are not residents of the Commonwealth;
- 16   (f) Any tourism development project shall not be eligible for incentives if it includes  
17          material determined to be lewd, offensive, or deemed to have a negative impact on  
18          the tourism industry in the Commonwealth; and
- 19   (g) An expansion of any tourism development project shall in all cases be treated as a  
20          new stand-alone project.
- 21   (3) (a) The incentives offered to an approved company under the Kentucky Tourism  
22          Development Act may include a sales tax incentive based on the Kentucky sales tax  
23          imposed on sales generated by or arising at the tourism development project.
- 24          (b) 1. For a tourism development project other than a lodging facility project  
25               described in subparagraph 4. or 5. of this paragraph:
- 26               a. A sales tax incentive shall be allowed to an approved company over a  
27               period of ten (10) years, except as provided in subparagraphs 7. and 8. of

- 1                   this paragraph; and
- 2                   b. The sales tax incentive shall not exceed the lesser of the total amount of
- 3                   the sales tax liability of the approved company and its lessees or a
- 4                   percentage of the approved costs as specified by the agreement, not to
- 5                   exceed twenty-five percent (25%).
- 6                   2. For projects approved according to the application period established under
- 7                   KRS 148.8531, a tourism attraction project located in an enhanced incentive
- 8                   county at the time the eligible company becomes an approved company as
- 9                   provided in KRS 148.857(6):
- 10                  a. A sales tax incentive shall be allowed to the approved company over a
- 11                  period of ten (10) years; and
- 12                  b. The sales tax incentive shall not exceed the lesser of the total amount of
- 13                  the sales tax liability of the approved company and its lessees or a
- 14                  percentage of the approved costs as specified by the agreement, not to
- 15                  exceed thirty percent (30%).
- 16                  3. For applications considered after June 27, 2025, including projects related to
- 17                  property to which the title passed from a seller to a buyer on or after March 1,
- 18                  2025, a tourism attraction project located in an enhanced incentive county with
- 19                  a population equal to or less than twenty thousand (20,000) based on the most
- 20                  recent decennial census at the time the eligible company becomes an approved
- 21                  company as provided in KRS 148.857(6):
- 22                  a. A sales tax incentive shall be allowed to the approved company over a
- 23                  period of twenty (20) years; and
- 24                  b. The sales tax incentive shall not exceed the lesser of the total amount of
- 25                  the sales tax liability of the approved company and its lessees or a
- 26                  percentage of the approved costs as specified by the agreement, not to
- 27                  exceed fifty percent (50%).

- 1           4. For a lodging facility project described in KRS 148.851(15)(a)5. or 6.:
- 2           a. A sales tax incentive shall be allowed to the approved company over a
- 3           period of twenty (20) years; and
- 4           b. The sales tax incentive shall not exceed the lesser of total amount of the
- 5           sales tax liability of the approved company and its lessees or a percentage
- 6           of the approved costs as specified by the agreement, not to exceed fifty
- 7           percent (50%).
- 8           5. For a lodging facility project described in KRS 148.851(15)(b), a sales tax
- 9           incentive that shall:
- 10          a. Be allowed to the approved company over a period of twenty (20) years;
- 11          and
- 12          b. Not exceed the lesser of the total amount of sales tax liability of the
- 13          approved company and its lessees or a percentage of the approved costs as
- 14          specified by the agreement, not to exceed fifty percent (50%).
- 15          6. Any unused incentives from a previous year may be carried forward to any
- 16          succeeding year during the term of the agreement until the entire specified
- 17          percentage of the approved costs has been received through sales tax incentives.
- 18          7. If the approved company is an entertainment destination center that has
- 19          dedicated at least thirty million dollars (\$30,000,000) of the incentives provided
- 20          under the agreement to a public infrastructure purpose, the agreement may be
- 21          amended to extend the term of the agreement up to two (2) additional years if
- 22          the approved company agrees to:
- 23          a. Reinvest in the original entertainment destination project one hundred
- 24          percent (100%) of any incentives received during the extension that were
- 25          outstanding at the end of the original term of the agreement; and
- 26          b. Report to the authority at the end of each fiscal year the amount of
- 27          incentives received during the extension and how the incentives were

1 reinvested in the original entertainment destination project.

2 8. The term of a tourism development agreement entered into with a tourism  
3 attraction project that was in effect on January 1, 2020, shall be extended for  
4 one (1) year if the tourism attraction project:

5 a. Has historically been open to the public on a seasonal basis consisting of  
6 less than six (6) months;

7 b. Has previously met the requirement of being open to the public at least  
8 one hundred (100) days during the entire term of the tourism development  
9 agreement as required under subsection (2)(a)2. of this section;

10 c. Failed to be open to the public at least one hundred (100) days during the  
11 calendar year 2020 solely as a result of complying with one (1) or more  
12 executive orders issued by the Governor under the authority of KRS  
13 39A.090 that prevented the tourism attraction project from being open to  
14 the public for at least one hundred (100) days during its normal operating  
15 season; and

16 d. Applied for a sales tax incentive related to the calendar year 2020  
17 operating season and was denied the sales tax incentive solely on the basis  
18 that the tourism attraction project was not open to the public for at least  
19 one hundred (100) days in calendar year 2020.

20 **9. a. If an approved company:**

21 **i. Qualified for an incentive under subsection (2)(b) of this section;**

22 **ii. Had a tourism development agreement in place under subsection**  
23 **(2)(b) of this section that expired; and**

24 **iii. Has not been a party to any tourism development agreement**  
25 **relating to the entertainment destination center in the most**  
26 **recently preceding five (5) years;**

27 **the approved company may enter into a new agreement under**

1 subparagraph 1. of this paragraph.

2 b. The approved company shall agree to:

3 i. Reinvest in the original entertainment destination center one  
 4 hundred percent (100%) of any incentives received under the new  
 5 agreement into the project; and

6 ii. Report to the authority at the end of each fiscal year the amount of  
 7 incentives used and how the incentives were reinvested in the  
 8 original entertainment destination center.

9 ➔Section 35. KRS 65.490 is amended to read as follows:

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

11 (1) "Agency" means an urban renewal and community development agency of a taxing district  
 12 located within a county containing a consolidated local government or a city of the first  
 13 class, established under KRS Chapter 99; a development authority located within a county  
 14 containing a consolidated local government or a city of the first class established under  
 15 KRS Chapter 99; a nonprofit corporation located within a county containing a consolidated  
 16 local government or a city of the first class; or a designated department, division, or office  
 17 of a county containing a consolidated local government or of a city of the first class;

18 (2) "Development area" means an area no more than six (6) square miles, designated in need of  
 19 public improvements by a local or state government in a county containing a consolidated  
 20 local government or a city of the first class, a project area as defined in KRS 99.615, or a  
 21 public project as defined in KRS 58.010 in a county containing a consolidated local  
 22 government or a city of the first class. "Development area" includes an existing economic  
 23 development asset;

24 (3) "Existing development area" has the same meaning as in KRS 65.494;

25 (4) "Increment" means that amount of money received by any taxing district or the state that is  
 26 determined by subtracting the amount of old revenues from the amount of new revenues in  
 27 any year for which a taxing district or the state and an agency have agreed upon under the

1 terms of a contract of release or a grant contract;

2 ~~(5)~~~~(4)~~ "Local government" means a county containing a consolidated local government or a  
3 city of the first class;

4 **(6)** ***"New development area" has the same meaning as in KRS 65.494;***

5 ~~(7)~~~~(5)~~ "New revenues" means the revenues received by any taxing district or the state from  
6 a development area in any year after the establishment of the development area;

7 ~~(8)~~~~(6)~~ "Old revenues" means the amount of revenues received by any taxing district or the  
8 state from a development area in the last year prior to the establishment of the development  
9 area;

10 ~~(9)~~~~(7)~~ "Project" means any urban renewal, redevelopment, or public project undertaken in  
11 accordance with the provisions of KRS 65.490 to 65.497, any project undertaken in  
12 accordance with KRS 99.610 to 99.680, any project undertaken in accordance with the  
13 provisions of KRS Chapter 58, or any "public project" as that term is defined in KRS  
14 58.010 undertaken by a nonprofit corporation located within a county containing a  
15 consolidated local government or a city of the first class;

16 ~~(10)~~~~(8)~~ "Release" or "contract of release" or "grant contract" means that agreement by which  
17 a taxing district or the state permits the payment to an agency of a portion of increments or  
18 an amount equal to a portion of increments received by it in return for the benefits accrued  
19 to the taxing district or the state by reason of a project undertaken by an agency in a  
20 development area;

21 ~~(11)~~~~(9)~~ "Taxing district" means a consolidated local government, a county containing a city  
22 of the first class, a city of the first class that encompasses all or part of a development area,  
23 or the state, but does not mean a school district; and

24 ~~(12)~~~~(10)~~ "Pilot program" means a tax increment financing program or a grant program created  
25 by an agency within a consolidated local government or a county containing a city of the  
26 first class which shall exist for a period of:

27 **(a)** Twenty (20) years ***for an existing development area;***~~;~~ and

1       **(b) Thirty (30) years for a new development area;**

2       **and** may be extended for a period not to exceed an additional twenty-five (25) years as  
3       provided in KRS 65.4931.

4       ➔Section 36. KRS 186.456 is amended to read as follows:

- 5       (1) As used in this section, "state police" means the Department of Kentucky State Police.
- 6       (2) From September 1, 2024, until **December 31, 2028**~~June 30, 2026~~, the state police shall  
7       operate a pilot program to provide operator's license skills testing in up to ten (10) counties  
8       in which the state police does not provide permanent, full-time, driver licensing testing.
- 9       (3) In administering the pilot project under this section, the state police shall:
- 10       (a) Identify the counties participating in the pilot project based on both public demand  
11       and available state police resources;
- 12       (b) Provide testing in each county at least one (1) time each month;
- 13       (c) Accept applications for testing slots through the state police's online application  
14       portal;
- 15       (d) Limit testing only to residents of the pilot project county where the test will be  
16       administered;
- 17       (e) Limit testing only to applicants for an intermediate license under KRS 186.452; and
- 18       (f) Evaluate service levels, unsubscribed appointments, and no-shows during the term of  
19       the pilot project and, if necessary, move the pilot project to another county identified  
20       in subsection (2) of this section, while maintaining the pilot project in up to ten (10)  
21       counties during the term of the project.
- 22       (4) The state police shall collect data on testing done under this section and, by October 31,  
23       2025, submit a report to the Legislative Research Commission for referral to the Interim  
24       Joint Committee on Transportation providing:
- 25       (a) Counts of the number of available testing appointments in each county, applicants  
26       served, unclaimed testing slots, and no-show appointments;
- 27       (b) Information regarding how the pilot program affected testing associated with regional

1           licensing offices; and

2           (c) Recommendations on the continuation or expansion of the pilot project.

3           ➔Section 37. KRS 154.30-050 is amended to read as follows:

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

9           (2) (a) There shall be two (2) separate initiatives under this program. The first initiative, the  
10           criteria and details of which are set forth in subsection (3)(a) of this section, shall  
11           apply to;

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

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

19           (b) The second initiative, the criteria and details of which are set forth in subsection  
20           (3)(b) of this section, shall apply to projects that meet the specified requirements on  
21           or after January 1, 2008.

22           (3) (a) 1. The criteria for qualification shall be as follows:

23           a. The project shall represent new economic activity in the Commonwealth;  
24           and

25           b. The project shall result in a minimum capital investment of two hundred  
26           million dollars (\$200,000,000).

27           2. The following provisions shall apply to projects that meet the criteria

- 1 established in subparagraph 1. of this paragraph:
- 2 a. KRS 65.7051 shall not apply to the establishment of a development area;
- 3 b. The city or county in which the project is located shall adopt an ordinance
- 4 establishing the development area. The ordinance shall be adopted in
- 5 accordance with KRS 65.7053(1)(a), (b), (c), (d), (e), (h), (i), (j), (k), (l),
- 6 and (m);
- 7 c. KRS 65.7049, 65.7053(2) and (3), 65.7057, 65.7059, 65.7061, 65.7063,
- 8 65.7065, and 65.7067, relating to local development areas, shall apply;
- 9 d. An application for state participation shall have been submitted as
- 10 provided in KRS 154.30-030. The application shall include the
- 11 information required by KRS 154.30-030(2)(a)1.a. and b.;
- 12 e. The report provided for in KRS 154.30-030(2)(a)3.b. shall not be
- 13 required, and the certification required by KRS 154.30-030(6)(b) shall not
- 14 be required;
- 15 f. A project grant agreement shall be executed in accordance with KRS
- 16 154.30-070; and
- 17 g. KRS 154.30-080 and 154.30-090 shall apply.
- 18 3. Projects that meet the criteria established in subparagraph 1. of this paragraph
- 19 shall be eligible for the following:
- 20 a. Up to one hundred percent (100%) of approved public infrastructure costs,
- 21 excluding any sales and use tax paid, may be recovered;
- 22 b. Up to one hundred percent (100%) of the financing costs associated with
- 23 approved public infrastructure costs may be recovered;
- 24 c. In a county containing a city of the first class, the local participation
- 25 agreement may provide for the release of up to eighty percent (80%) of
- 26 the increment from the tax levied under KRS 91A.390 derived by the
- 27 governing body within the project development area. The amount released

1 shall not exceed a base amount of four hundred thousand dollars  
 2 (\$400,000) in the first year of the local participation agreement, which  
 3 base amount shall be increased in each subsequent year of the grant  
 4 agreement by four percent (4%); and

5 d. Up to one hundred percent (100%) of approved signature project costs,  
 6 excluding any sales and use taxes paid, subject to the following:

7 i. The authority shall review proposed expenditures for inclusion in  
 8 the tax incentive agreement. The authority may approve the type of  
 9 expenditures it determines are necessary for completion of the  
 10 private development; and

11 ii. Approved signature project costs shall be detailed in the tax  
 12 incentive agreement.

13 (b) Beginning *on the effective date of this section of this Act*~~[January 1, 2008]:~~

14 1. A project shall meet all of the following criteria to be considered for state  
 15 participation under this program:

16 a. The project shall represent new economic activity in the Commonwealth;

17 b. The project shall result in a minimum capital investment of five~~two~~  
 18 hundred million dollars (\$500,000,000)~~(\$200,000,000)~~;

19 c. *The project shall be owned by a resident or nonresident, nonprofit*  
 20 *educational, charitable, or religious institution which has qualified for*  
 21 *an exemption from income tax under Section 501(c)(3) of the Internal*  
 22 *Revenue Code;*

23 d. The project shall result in a net positive economic impact to the  
 24 Commonwealth, taking into consideration any substantial adverse impact  
 25 on existing Commonwealth businesses. The net positive impact shall be  
 26 certified to the commission as required by KRS 154.30-030(6)(b); and

27 e.~~d.~~ Not more than twenty percent (20%) of the capital investment or twenty

- 1                   percent (20%) of the finished square footage shall be devoted to the  
2                   support or development of assets that will be utilized for the retail sale of  
3                   tangible personal property;
- 4           2.   Projects that meet the criteria established by subparagraph 1. of this paragraph  
5                   shall comply with all relevant provisions of this subchapter;
- 6           3.   Projects that meet the criteria established by subparagraphs 1. and 2. of this  
7                   paragraph shall be eligible to recover:
- 8                   a.   Up to one hundred percent (100%) of approved public infrastructure costs,  
9                   excluding any sales and use taxes paid;
- 10                  b.   Up to one hundred percent (100%) of the financing costs associated with  
11                   approved public infrastructure costs; and
- 12                  c.   Up to one hundred percent (100%) of approved signature project costs,  
13                   excluding sales and use taxes paid subject to the following:
- 14                          i.   The authority shall review proposed expenditures for inclusion in  
15                          the tax incentive agreement. The authority may approve the type of  
16                          expenditures it determines are necessary for completion of the private  
17                          development; and
- 18                          ii.   Approved signature project costs shall be detailed in the tax  
19                          incentive agreement; and
- 20           4.   Notwithstanding any provision of this section to the contrary, if a project has a  
21                   residential use that comprises at least fifty percent (50%) of the total finished  
22                   square footage of the proposed project:
- 23                          a.   The report required in KRS 154.30-030(2)(a)3.b. shall not be required;  
24                          and
- 25                          b.   The certification required in KRS 154.30-030(6)(b) and subparagraph 1.c.  
26                          of this paragraph shall not be required.
- 27 (4)   The authority shall review the application, the certification required by KRS 154.30-030, if

- 1 applicable, and supporting information as provided in KRS 154.30-030.
- 2 (5) The authority shall specifically identify the state taxes from which incremental revenues  
3 will be pledged. The authority may pledge up to eighty percent (80%) of the incremental  
4 revenues from the identified state tax revenues from the footprint, provided that the  
5 maximum amount of incremental revenues that may be pledged for a project during the  
6 term of the tax incentive agreement from all approved state taxes shall not exceed one  
7 hundred percent (100%) of approved public infrastructure costs, approved signature project  
8 costs, and financing costs.
- 9 (6) As part of the approval process, the authority shall determine the following:
- 10 (a) The footprint of the project;
- 11 (b) The maximum amount of approved public infrastructure costs, approved signature  
12 project costs, and financing costs;
- 13 (c) That the local revenues pledged to support the public infrastructure of the project, and  
14 local revenues pledged to support the overall project are of a sufficient amount to  
15 warrant participation of the Commonwealth in the project;
- 16 (d) The termination date of the tax incentive agreement, not to exceed thirty (30) years  
17 from the activation date;
- 18 (e) Any adjustments to be made to old revenues, in determining incremental revenues  
19 during each year of the term of the project grant agreement; and
- 20 (f) Any approved signature project costs;
- 21 (7) For the purpose of making the determination required by KRS 139.515(2), the authority  
22 shall review the projected expenditures for tangible personal property used in the  
23 construction of a signature project, as defined in KRS 139.515(1), and shall establish an  
24 approximate percentage of the total anticipated expenditures that are not included in the tax  
25 incentive agreement as approved public infrastructure costs or approved signature project  
26 costs. This percentage shall be communicated by the authority to the Department of  
27 Revenue, which shall use the information in administering the sales tax refund permitted by

1 KRS 139.515.

2 (8) If state income taxes or local occupational license taxes are included for a project that  
3 includes office space, the authority shall consider the impact of pledging these taxes on  
4 the ability to utilize other economic development projects at a later date.

5 (9) The pledge of state incremental tax revenues of the Commonwealth by the authority shall  
6 be implemented through the execution of a tax incentive agreement between the  
7 Commonwealth and the agency, city, or county in accordance with KRS 154.30-070.

8 ~~[(10) Notwithstanding the minimum capital investment of two hundred million dollars  
9 (\$200,000,000) required by subsection (3)(b)1.b. of this section, the authority may, upon  
10 application of an agency that:~~

11 ~~(a) Was approved to proceed with a project after January 1, 2008, but before January 1,  
12 2013, that, at the time of approval pledged to make the two hundred million dollars  
13 (\$200,000,000) investment requirement; and~~

14 ~~(b) Had a consultant report prepared pursuant to KRS 154.30-030(6);~~

15 ~~— approve a reduction in the required minimum capital investment to an amount not less than  
16 one hundred fifty million dollars (\$150,000,000), subject to a corresponding adjustment of  
17 the maximum incremental revenue available for recovery as appropriate, based upon the  
18 recommendation of the consultant who prepared the report pursuant to KRS 154.30-030(6).~~

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

23 ➔Section 38. KRS 424.110 is amended to read as follows:

24 As used in KRS 424.110 to 424.370:

25 (1) "Publication area" means the city, county, district, or other local area for which an  
26 advertisement is required by law to be made. An advertisement shall be deemed to be for a  
27 particular city, county, district, or other local area if it concerns an official activity of the

1 city, county, district, or other area or of any governing body, board, commission, officer,  
2 agency, or court thereof, or if the subject of the advertisement concerns particularly the  
3 people of the city, county, district, or other area;

4 (2) "Advertisement" means any matter required by law to be published; ~~and~~

5 (3) "Zoned edition" means a newspaper edition published at least once a week, distributed in a  
6 specific geographic region of the newspaper's circulation area, and containing reporting  
7 and advertising of interest to subscribers in that geographic region; ***and***

8 ***(4) "Time" means the time of day, stated in both eastern standard time and central standard***  
9 ***time.***

10 ➔Section 39. KRS 61.805 is amended to read as follows:

11 As used in KRS 61.805 to 61.850, unless the context otherwise requires:

12 (1) "Meeting" means all gatherings of every kind, including video teleconferences, regardless  
13 of where the meeting is held, and whether regular or special and informational or casual  
14 gatherings held in anticipation of or in conjunction with a regular or special meeting;

15 (2) "Public agency" means:

16 (a) Every state or local government board, commission, and authority;

17 (b) Every state or local legislative board, commission, and committee;

18 (c) Every county and city governing body, council, school district board, special district  
19 board, and municipal corporation;

20 (d) Every state or local government agency, including the policy-making board of an  
21 institution of education, created by or pursuant to state or local statute, executive  
22 order, ordinance, resolution, or other legislative act;

23 (e) Any body created by or pursuant to state or local statute, executive order, ordinance,  
24 resolution, or other legislative act in the legislative or executive branch of  
25 government;

26 (f) Any entity when the majority of its governing body is appointed by a "public agency"  
27 as defined in paragraph (a), (b), (c), (d), (e), (g), or (h) of this subsection, a member

- 1 or employee of a "public agency," a state or local officer, or any combination thereof;
- 2 (g) Any board, commission, committee, subcommittee, ad hoc committee, advisory  
3 committee, council, or agency, except for a committee of a hospital medical staff or a  
4 committee formed for the purpose of evaluating the qualifications of public agency  
5 employees, established, created, and controlled by a "public agency" as defined in  
6 paragraph (a), (b), (c), (d), (e), (f), or (h) of this subsection; and
- 7 (h) Any interagency body of two (2) or more public agencies where each "public agency"  
8 is defined in paragraph (a), (b), (c), (d), (e), (f), or (g) of this subsection;
- 9 (3) "Action taken" means a collective decision, a commitment or promise to make a positive or  
10 negative decision, or an actual vote by a majority of the members of the governmental  
11 body;~~and~~
- 12 (4) "Member" means a member of the governing body of the public agency and does not  
13 include employees or licensees of the agency;~~and~~
- 14 (5) **"Time" means the time of day, stated in both eastern standard time and central standard**  
15 **time; and**
- 16 **(6)** "Video teleconference" means one (1) meeting, occurring in two (2) or more locations,  
17 where individuals can see and hear each other by means of video and audio equipment.

18 ➔Section 40. KRS 140.070 is amended to read as follows:

19 The tax upon transfers of property as defined in the preceding sections of this chapter shall be at  
20 the following rates:

- 21 (1) Class A. In case the transfer is to or for the benefit of a parent, surviving spouse, child by  
22 blood, stepchild, child adopted during infancy, child adopted during adulthood who was  
23 reared by the decedent during infancy or a grandchild who is the issue of a child by blood,  
24 the issue of a stepchild, the issue of a child adopted during adulthood who was reared by  
25 the decedent during infancy, the issue of a child adopted during infancy, **nephew, niece, or**  
26 **a nephew or niece of the half blood,** brother, sister, or brother or sister of the half blood,  
27 the tax **shall be**~~and~~ subject to the provisions of KRS 140.080.~~and shall be:~~

1	<del>On its value not exceeding \$20,000 .....</del>	<del>2%</del>
2	<del>On its value exceeding \$20,000, but not exceeding \$30,000 .....</del>	<del>3%</del>
3	<del>On its value exceeding \$30,000, but not exceeding \$45,000 .....</del>	<del>4%</del>
4	<del>On its value exceeding \$45,000, but not exceeding \$60,000 .....</del>	<del>5%</del>
5	<del>On its value exceeding \$60,000, but not exceeding \$100,000 .....</del>	<del>6%</del>
6	<del>On its value exceeding \$100,000, but not exceeding \$200,000 .....</del>	<del>7%</del>
7	<del>On its value exceeding \$200,000, but not exceeding \$500,000 .....</del>	<del>8%</del>
8	<del>On its value exceeding \$500,000 .....</del>	<del>10%]</del>

(2) Class B. In case the transfer is to or for the benefit of a ~~nephew, niece, or a nephew or niece of the half blood,~~ daughter-in-law, son-in-law, aunt or uncle, or a great-grandchild who is the grandchild of a child by blood, of a stepchild or of a child adopted during infancy, the tax, subject to the provisions of KRS 140.080, shall be:

13	On its value not exceeding \$10,000 .....	4%
14	On its value exceeding \$10,000, but not exceeding \$20,000 .....	5%
15	On its value exceeding \$20,000, but not exceeding \$30,000 .....	6%
16	On its value exceeding \$30,000, but not exceeding \$45,000 .....	8%
17	On its value exceeding \$45,000, but not exceeding \$60,000 .....	10%
18	On its value exceeding \$60,000, but not exceeding \$100,000 .....	12%
19	On its value exceeding \$100,000, but not exceeding \$200,000 .....	14%
20	On its value exceeding \$200,000 .....	16%

(3) Class C. In case the transfer is to or for the benefit of any educational, religious, or other institutions, societies, or associations, or to any cities, towns, or public institutions not exempted by KRS 140.060, or to any person not included in either Class A or Class B, the tax, subject to the provisions of KRS 140.080, shall be:

25	On its value not exceeding \$10,000 .....	6%
26	On its value exceeding \$10,000, but not exceeding \$20,000 .....	8%
27	On its value exceeding \$20,000, but not exceeding \$30,000 .....	10%

1	On its value exceeding \$30,000, but not exceeding \$45,000 .....	12%
2	On its value exceeding \$45,000, but not exceeding \$60,000 .....	14%
3	On its value exceeding \$60,000 .....	16%

4 ➔Section 41. KRS 140.080 is amended to read as follows:

5 (1) The following exemptions chargeable against the lowest bracket or brackets of inheritable  
6 interests shall be free from any tax under the preceding provisions of this chapter:

7 (a) Surviving spouse, total inheritable interest. Effective as to decedents dying after  
8 August 1, 1985, notwithstanding anything in this chapter to the contrary, if the  
9 decedent's personal representative (or trustee or transferee, absent a personal  
10 representative) shall so elect, the spouse's inheritable interest shall include the entire  
11 value of any trust or life estate which is in a form that qualifies for the federal estate  
12 tax marital deductions under 26 U.S.C. sec.~~[section]~~ 2056(b)(5) or ~~[2056(b)](7)~~~~[of~~  
13 ~~the Internal Revenue Code of 1954]~~, as amended through December 31, 1984,  
14 regardless of whether or not the federal estate tax marital deduction is elected by the  
15 decedent's personal representative. To be valid, the election referred to in the  
16 sentence immediately preceding must be made in the form prescribed by the  
17 Department of Revenue and must be filed on or before the due date of the tax return,  
18 including~~[(plus)] extensions,~~~~)]~~ or with the first tax return filed, whichever last  
19 occurs;

20 (b)~~Class A beneficiaries as defined in KRS 140.070, other than the surviving spouse, of~~  
21 ~~estates of decedents dying prior to July 1, 1995, as follows:~~

- 22 1. ~~Infant child by blood or adoption, \$20,000;~~
- 23 2. ~~Child by blood who has been declared mentally disabled by a court of~~  
24 ~~competent jurisdiction, \$20,000;~~
- 25 3. ~~Child adopted during infancy who has been declared mentally disabled by a~~  
26 ~~court of competent jurisdiction, \$20,000; or a~~
- 27 4. ~~Child adopted during adulthood who was reared by the decedent during infancy~~

1           ~~and who has been declared mentally disabled by a court of competent~~  
2           ~~jurisdiction, \$20,000;~~

3           ~~5.— Parent, \$5,000;~~

4           ~~6.— Child by blood, \$5,000;~~

5           ~~7.— Stepchild, \$5,000;~~

6           ~~8.— Child adopted during infancy, \$5,000;~~

7           ~~9.— Child adopted during adulthood who was reared by the decedent during infancy,~~  
8           ~~\$5,000; or a~~

9           ~~10.— Grandchild who is the issue of a child by blood, the issue of a stepchild, the~~  
10           ~~issue of a child adopted during infancy or the issue of a child adopted during~~  
11           ~~adulthood who was reared by the decedent during infancy, \$5,000;~~

12           ~~(e)} Class A beneficiaries, as defined in KRS 140.070, [other than the surviving~~  
13           ~~spouse, of estates of decedents dying on or after July 1, 1995, shall be as~~  
14           ~~follows:~~

15           ~~1.— For decedents dying between July 1, 1995, and June 30, 1996, the greater of the~~  
16           ~~exemption established pursuant to paragraph (1)(b) of this section or one fourth~~  
17           ~~(1/4) of each beneficiary's inheritable interest;~~

18           ~~2.— For decedents dying between July 1, 1996, and June 30, 1997, the greater of the~~  
19           ~~exemption established pursuant to paragraph (1)(b) of this section or one half~~  
20           ~~(1/2) of each beneficiary's inheritable interest;~~

21           ~~3.— For decedents dying between July 1, 1997, and June 30, 1998, the greater of the~~  
22           ~~exemption established pursuant to paragraph (1)(b) of this section or three~~  
23           ~~fourths (3/4) of each beneficiary's inheritable interest; and~~

24           ~~4.— For each decedent dying after June 30, 1998, each beneficiary's} total~~  
25           ~~inheritable interest;~~

26           ~~(c)}{(d)} All persons of Class B, under KRS 140.070, \$1,000; and~~

27           ~~(d)}{(e)} All persons of Class C, under KRS 140.070, \$500.~~

1 (2) If the decedent was not a resident of this state, the exemption shall be the same proportion  
2 of the allowable exemption in the case of residents that the property taxable by this state  
3 bears to the whole property transferred by the decedent.

4 ➔SECTION 42. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ  
5 AS FOLLOWS:

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

7 **(a) "Agriculturally based alternative jet fuel" means an alternative jet fuel produced**  
8 **from agricultural biomass, including crops and agricultural byproducts derived**  
9 **from agricultural or livestock production, such as corn, soybeans, wheat, canola,**  
10 **animal fats, and biomass residues from trees, wood, and grasses;**

11 **(b) "Alternative jet fuel" means a liquid fuel that can be used in an aircraft without**  
12 **the need to modify the aircraft engines or existing fuel distribution infrastructure,**  
13 **and that:**

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

15 **a. The American Society for Testing and Materials International Standard**  
16 **D7566; or**

17 **b. The American Society for Testing and Materials International Standard**  
18 **D1655;**

19 **2. Is derived from eligible feedstocks;**

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

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

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

- 1 agreement of the United States; or
- 2 b. Greenhouse gas emissions values utilizing the most recent version of
- 3 Argonne National Laboratory's GREET model;
- 4 (c) "Alternative jet fuel producer" means an entity in this state that:
- 5 1. Produces alternative jet fuel; or
- 6 2. Blends SBC with conventional aviation gasoline or jet fuel;
- 7 (d) "Eligible feedstock" means any feedstock that qualifies as an eligible feedstock for
- 8 purposes of Section 45Z of the Internal Revenue Code;
- 9 (e) "Eligible taxpayer" means an alternative jet fuel producer or feedstock provider
- 10 that is located in the Commonwealth;
- 11 (f) "Feedstock provider" means an entity that manufactures an eligible feedstock,
- 12 including SBC, used in the process of making alternative jet fuel; and
- 13 (g) "Synthetic blending component" or "SBC" means synthesized hydrocarbons that
- 14 meet the requirements in any one (1) of the annexes of the American Society for
- 15 Testing and Materials International Standard D7566, which may then be used as a
- 16 component in the manufacture of alternative jet fuel.
- 17 (2) (a) There shall be allowed a nonrefundable, nontransferable alternative jet fuel credit
- 18 allowed against the taxes imposed in KRS 141.020 or 141.040 and 141.0401 for
- 19 alternative jet fuel producers in an amount certified by the department under this
- 20 section, with the ordering of the credits as provided in Section 2 of this Act.
- 21 (b) For taxable years beginning on or after January 1, 2029, but before January 1,
- 22 2035, an eligible taxpayer may claim a credit at a rate of:
- 23 1. Fifty cents (\$0.50) per gallon to a feedstock provider supplying either eligible
- 24 feedstocks or SBC to an alternative jet fuel producer;
- 25 2. One dollar and fifty cents (\$1.50) per gallon to an alternative jet fuel
- 26 producer that processes eligible feedstocks or blends SBC with conventional
- 27 jet fuel to produce alternative jet fuel;

- 1           3. Two dollars (\$2) per gallon to an alternative jet fuel producer that processes  
2           eligible feedstocks or blends SBC with conventional jet fuel to produce  
3           agriculturally based alternative jet fuel; or
- 4           4. Two dollars and fifty cents (\$2.50) per gallon to an alternative jet fuel  
5           producer that processes eligible feedstocks or blends SBC with conventional  
6           jet fuel to produce an agriculturally based alternative jet fuel using an eligible  
7           feedstock that was produced in the Commonwealth.
- 8 (3) (a) The credit allowed in subsection (2) of this section shall not be carried forward to  
9           other taxable years.
- 10           (b) The total credit allowed in subsection (2)(b)1. and 2. of this section shall not exceed  
11           two million dollars (\$2,000,000) per eligible taxpayer per taxable year.
- 12           (c) The credits allowed in subsection (2) of this section may stack if the alternative jet  
13           fuel producer is the same as the feedstock provider and shall not exceed three  
14           dollars (\$3) per gallon per entity.
- 15           (d) The aggregate total credit certified in a calendar year shall not exceed twenty  
16           million dollars (\$20,000,000). If the aggregate total of credits certified exceeds  
17           twenty million dollars (\$20,000,000), the department shall apportion credits pro  
18           rata among eligible taxpayers up to the twenty million dollar (\$20,000,000) limit.
- 19 (4) The department, in conjunction with the Kentucky Department of Agriculture and the  
20           Energy and Environment Cabinet, shall promulgate emergency and ordinary  
21           administrative regulations in accordance with KRS Chapter 13A to adopt:
- 22           (a) Forms and procedures necessary for implementation, calculation, reporting, and  
23           certification of the credit no later than October 1, 2028;
- 24           (b) Verification standards and processes to ensure the fuel meets the requirements to  
25           be alternative jet fuel or agriculturally based alternative jet fuel; and
- 26           (c) Verification standards and processes to ensure each alternative jet fuel producer  
27           and feedstock provider meets the criteria established in subsection (1)(c) and (f) of

1           this section.

2   (5) The department, Kentucky Department of Agriculture, and Energy and Environment  
3   Cabinet shall report to the Interim Joint Committee on Appropriations and Revenue  
4   when administrative regulations have been promulgated under subsection (4) of this  
5   section, and the credit provided in this section shall not be approved prior to the report.

6   (6) (a) An eligible taxpayer seeking approval for the credit under this section shall:

7           1. Submit an application to the department, on a form as prescribed by the  
8           department, by January 15, 2030, following the close of the calendar year,  
9           and each January 15 thereafter as long as the credit is available; and

10          2. Provide the:

11           a. Taxpayer's identification number; and

12           b. Description and amount or volume of alternative jet fuel, eligible  
13           feedstock, or SBC:

14            i. Produced, including anticipated production amounts, for the  
15            calendar year; or

16            ii. Blended, including anticipated production amounts, for the  
17            calendar year.

18   (b) The department shall:

19           1. Review all applications submitted by eligible taxpayers by February 15, 2030,  
20           and each February 15 thereafter as long as the credit is available;

21           2. Determine the qualifying volumes of alternative jet fuel, eligible feedstock, or  
22           SBC per eligible taxpayer; and

23           3. Issue a certification by March 1, 2030, and each March 1 thereafter as long  
24           as the credit is available, of the credit amount approved for each eligible  
25           taxpayer.

26   (7) (a) In order for the General Assembly to evaluate the alternative jet fuel producer  
27   credit, by November 1, 2030, and each November 1 thereafter, as long as the tax

credit is claimed on any tax return filed, the department shall report the following to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue and the Department of Agriculture:

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

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

3. The total number of gallons claimed per return filed of:

a. Eligible feedstock or SBC provided;

b. Eligible feedstock processed or SBC blended with conventional jet fuel to produce alternative jet fuel;

c. Agriculturally based alternative jet fuel produced; and

d. Agriculturally based alternative jet fuel produced using an eligible feedstock that was produced in the Commonwealth;

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

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

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

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

➔SECTION 43. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ

1 AS FOLLOWS:

2 (1) As used in this section:

3 (a) "Agriculturally based alternative jet fuel" has the same meaning as in Section 42  
4 of this Act;

5 (b) "Alternative jet fuel" has the same meaning as in Section 42 of this Act;

6 (c) "Commercial airport" has the same meaning as in KRS 183.011;

7 (d) "Effective date" means the first day of the month following the month in which the  
8 department notifies the commercial airport that it is eligible to receive a sales tax  
9 rebate;

10 (3) (a) Notwithstanding KRS 134.580 and 139.770, effective August 1, 2026, a commercial  
11 airport may be granted a sales tax rebate of up to seventy-five percent (75%) of the  
12 Kentucky sales tax generated by the sale of agriculturally based alternative jet fuel  
13 and alternative jet fuel at a commercial airport located in Kentucky. The tax rebate  
14 shall be reduced by the vendor compensation allowed under KRS 139.570 on or  
15 after August 1, 2026.

16 (b) The commercial airport shall have no obligation to refund or otherwise return any  
17 amount of the sales tax rebate to the persons from whom the sales tax was  
18 collected.

19 (c) The total tax rebate for each commercial airport shall be reinvested by the  
20 commercial airport to maintain, improve, upgrade, and repair commercial airport  
21 facilities and operations.

22 (4) (a) To be eligible for a sales tax rebate under this section, the commercial airport shall  
23 file an application with the department in the form prescribed by the department  
24 through the promulgation of an administrative regulation in accordance with KRS  
25 Chapter 13A.

26 (b) The department shall:

27 1. Review the application;

1            2. Determine whether the applicant meets the requirements of this section; and

2            3. Notify the applicant in writing whether the applicant qualifies for a rebate  
 3            and the effective date of qualification.

4            (5) A qualified applicant shall file a request for a sales tax rebate within sixty (60) days  
 5            following the end of each calendar quarter for sales made during the quarter. The  
 6            request shall be submitted in the form prescribed by the department through the  
 7            promulgation of an administrative regulation in accordance with KRS Chapter 13A, and  
 8            shall include supporting information and documentation as determined necessary by the  
 9            department to verify the requested tax rebate.

10          (6) The department shall review the request, verify the amount of sales tax rebate due to the  
 11          commercial airport, and pay the amount determined due within forty-five (45) days of  
 12          receipt of the request and all necessary supporting information.

13          (7) Interest shall not be allowed or paid on any sales tax rebate payment made under this  
 14          section.

15          ➔Section 44. KRS 67C.147 is amended to read as follows:

16          (1) In order to maintain the tax structure, tax rates, or level of services in the area of the  
 17          consolidated local government formerly comprising the city of the first class, the legislative  
 18          council of a consolidated local government may provide in the manner described in this  
 19          chapter for taxes and services within the area comprising the former city of the first class  
 20          which are different from the taxes and services which are applicable in the remainder of the  
 21          county. These differences may include differences in tax rates upon the class of property  
 22          which includes the surface of the land, differences in ad valorem tax rates upon personal  
 23          property, and differences in tax rates upon insurance premiums.

24          (2) Any difference in the ad valorem tax rate on the class of property which includes the  
 25          surface of the land in the portion of the county formerly comprising the city of the first  
 26          class and in the portion of the county other than that formerly comprising the city of the  
 27          first class may be imposed directly by the consolidated local government council. Any

1 change in these ad valorem tax rates shall comply with KRS 68.245, 132.010, 132.017, and  
2 132.027 and shall be used for services as provided by KRS 82.085.

3 (3) If the consolidated local government council determines to provide for tax rates applicable  
4 to health insurance premiums and personal property which are different in the area  
5 formerly comprising the city of the first class than the rates applicable in the remainder of  
6 the county, it shall do so in the following manner. The consolidated local government  
7 council shall by ordinance create a tax district to be known as the "urban service tax  
8 district" bounded by the former boundaries of the former city of the first class. The  
9 ordinance shall designate the number of members of the board of this tax district and the  
10 manner in which they shall be appointed. The ordinance shall provide that the board of the  
11 tax district shall receive the income derived from the differential tax rate applicable in the  
12 area formerly comprising the city of the first class with respect to personal property, health  
13 insurance premiums, or both, and shall contract with the consolidated local government to  
14 pay all sums collected to the consolidated local government, in return for the provision of  
15 services performed by the consolidated local government within the area formerly  
16 comprising the city of the first class which services are in addition to services performed by  
17 the consolidated local government in the remainder of the county. The consolidated local  
18 government shall provide at least an annual reporting to the urban service tax district board  
19 and the legislative body of the consolidated local government containing but not limited to  
20 detailed operating and capital expenditures of each service performed by the consolidated  
21 local government.

22 (4) After the initial formation of an urban service tax district in a consolidated local  
23 government, the boundaries of the district may be modified in the following manner. The  
24 proposal to alter the boundaries of the urban service tax district within a consolidated local  
25 government may be initiated by:

26 (a) A resolution enacted by the consolidated local government describing the boundaries  
27 of the area to be added to or deleted from the tax district and duly passed and signed

1 by the mayor not less than one hundred twenty (120) days before the next regularly  
2 scheduled election day within the county; or

3 (b) A petition signed by a number of qualified voters living within precincts within the  
4 area to be added to or deleted from the tax district equal to ten percent (10%) of the  
5 votes cast within each precinct in the last general election for President of the United  
6 States and delivered to the clerk of the legislative council more than one hundred  
7 twenty (120) days next preceding the next regularly scheduled election day within the  
8 county.

9 The boundaries so described in either case shall not cross precinct lines. The question of  
10 whether the area bounded as described should be added to or deleted from, as the case may  
11 be, the urban service tax district shall then be placed upon the ballot in the precincts in the  
12 area to be added or deleted at the next regular election and the question stated on the ballot  
13 shall be so phrased that a "Yes" vote shall be cast in favor of making the proposed change  
14 and a "No" vote shall be cast to oppose the proposed change. If a majority of those voting  
15 in those precincts support the change, then the change in the boundaries of the urban  
16 service tax district shall be implemented.

17 (5) (a) **Beginning with emergency medical responses made on or after**~~[No later than]~~ July  
18 1, 2025, the consolidated local government shall reimburse a fire district operating  
19 under KRS Chapter 75 for expenses related to each emergency medical response  
20 made by the fire district operating under KRS Chapter 75 into the area of the urban  
21 service tax district. A fire district so responding shall receive from the consolidated  
22 local government three hundred dollars (\$300) for transporting a person and one  
23 hundred fifty dollars (\$150) for arriving at person's location when no person is  
24 transported.

25 (b) The payment established in paragraph (a) of this subsection shall be in addition to any  
26 insurance moneys the fire district may be eligible to receive resulting from the  
27 response.

1 (c) The payment established in paragraph (a) of this subsection shall be adjusted on July  
2 1 of each year by the percentage increase in the nonseasonally adjusted annual  
3 average Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average,  
4 All Items, between the two (2) most recent calendar years available, as published by  
5 the United States Bureau of Labor Statistics.

6 (d) The consolidated local government shall not charge a fire district operating under  
7 KRS Chapter 75 for any expenses or services that the consolidated local government  
8 was not charging the fire district prior to January 1, 2024.

9 (e) A fire district operating under KRS Chapter 75 that receives payment or  
10 reimbursement in any form from the consolidated local government for an  
11 emergency medical response made by the fire district into the area of the urban  
12 service tax district prior to July 1, 2025, shall not be eligible for payments or  
13 reimbursement under this subsection beginning on July 1 of the following fiscal  
14 year and continuing until the end of that fiscal year.

15 (6) Except for services provided within the central business district as defined by the  
16 consolidated local government via ordinance as of April 1, 2024:

17 (a) From July 1, 2025, to June 30, 2028, the differential tax received by the urban service  
18 tax district shall fund no less than eighty-five percent (85%) of all costs related to the  
19 services provided, including capital expenditures related to the services, within the  
20 urban service tax district by the consolidated local government as set out in this  
21 section that are in addition to the services performed by the consolidated local  
22 government in the remainder of the county;

23 (b) From July 1, 2028, to June 30, 2031, the differential tax received by the urban service  
24 tax district shall fund no less than ninety percent (90%) of all costs related to the  
25 services provided, including capital expenditures related to the services, within the  
26 urban service tax district by the consolidated local government as set out in this  
27 section that are in addition to the services performed by the consolidated local

1 government in the remainder of the county;

2 (c) From July 1, 2031, to June 30, 2034, the differential tax received by the urban service  
3 tax district shall fund no less than ninety-five percent (95%) of all costs related to the  
4 services provided, including capital expenditures related to the services, within the  
5 urban service tax district by the consolidated local government as set out in this  
6 section that are in addition to the services performed by the consolidated local  
7 government in the remainder of the county; and

8 (d) After June 30, 2034, the differential tax received by the urban service tax district shall  
9 fund no less than one hundred percent (100%) of all costs related to the services  
10 provided, including capital expenditures related to the services, within the urban  
11 service tax district by the consolidated local government as set out in this section that  
12 are in addition to the services performed by the consolidated local government in the  
13 remainder of the county.

14 ➔Section 45. KRS 367.990 is amended to read as follows:

15 (1) Any person who violates the terms of a temporary or permanent injunction issued under  
16 KRS 367.190 shall forfeit and pay to the Commonwealth a civil penalty of not more than  
17 twenty-five thousand dollars (\$25,000) per violation. For the purposes of this section, the  
18 Circuit Court issuing an injunction shall retain jurisdiction, and the cause shall be  
19 continued, and in such cases the Attorney General acting in the name of the  
20 Commonwealth may petition for recovery of civil penalties.

21 ~~(2) In any action brought under KRS 367.190, if the court finds that a person is willfully using~~  
22 ~~or has willfully used a method, act, or practice declared unlawful by KRS 367.170, the~~  
23 ~~Attorney General, upon petition to the court, may recover, on behalf of the~~  
24 ~~Commonwealth, a civil penalty of not more than two thousand dollars (\$2,000) per~~  
25 ~~violation, or where the defendant's conduct is directed at a person aged sixty (60) or older,~~  
26 ~~a civil penalty of not more than ten thousand dollars (\$10,000) per violation, if the trier of~~  
27 ~~fact determines that the defendant knew or should have known that the person aged sixty~~

1       ~~(60) or older is substantially more vulnerable than other members of the public.~~

2       ~~(3)}~~ Any person with actual notice that an investigation has begun or is about to begin pursuant  
3       to KRS 367.240 and 367.250 who intentionally conceals, alters, destroys, or falsifies  
4       documentary material is guilty of a Class A misdemeanor.

5       ~~(3)}~~~~(4)}~~ Any person who, in response to a subpoena or demand as provided in KRS 367.240  
6       or 367.250, intentionally falsifies or withholds documents, records, or pertinent materials  
7       that are not privileged shall be subject to a fine as provided in subsection ~~(2)}~~~~(3)}~~ of this  
8       section.

9       ~~(4)}~~~~(5)}~~ The Circuit Court of any county in which any plan described in KRS 367.350 is  
10       proposed, operated, or promoted may grant an injunction without bond, upon complaint  
11       filed by the Attorney General to enjoin the further operation thereof, and the Attorney  
12       General may ask for and the court may assess civil penalties against the defendant in an  
13       amount not to exceed the sum of five thousand dollars (\$5,000) which shall be for the  
14       benefit of the Commonwealth of Kentucky.

15       ~~(5)}~~~~(6)}~~ Any person, business, or corporation who knowingly violates the provisions of KRS  
16       367.540 shall be guilty of a violation. It shall be considered a separate offense each time a  
17       magazine is mailed into the state; but it shall be considered only one (1) offense for any  
18       quantity of the same issue of a magazine mailed into Kentucky.

19       ~~(6)}~~~~(7)}~~ Any solicitor who violates the provisions of KRS 367.513 or 367.515 shall be guilty  
20       of a Class A misdemeanor.

21       ~~(7)}~~~~(8)}~~ In addition to the penalties contained in this section, the Attorney General, upon  
22       petition to the court, may recover, on behalf of the Commonwealth a civil penalty of not  
23       more than the greater of five thousand dollars (\$5,000) or two hundred dollars (\$200) per  
24       day for each and every violation of KRS 367.175.

25       ~~(8)}~~~~(9)}~~ Any person who ~~shall~~ willfully and intentionally violates~~violate~~ any provision of  
26       KRS 367.976 to 367.985 shall be guilty of a Class B misdemeanor.

27       ~~(9)}~~~~(10)}~~ (a) Any person who violates the terms of a temporary or permanent injunction

1 issued under KRS 367.665 shall forfeit and pay to the Commonwealth a penalty of  
2 not more than five thousand dollars (\$5,000) per violation. For the purposes of this  
3 section, the Circuit Court issuing an injunction shall retain jurisdiction, and the cause  
4 shall be continued, and in such cases the Attorney General acting in the name of the  
5 Commonwealth may petition for recovery of civil penalties.

6 (b) 1. The Attorney General may, upon petition to a court having jurisdiction under  
7 KRS 367.190, recover on behalf of the Commonwealth from any person found  
8 to have willfully committed an act declared unlawful by KRS 367.667 a penalty  
9 of not more than five thousand dollars (\$5,000) per violation.

10 2. In addition to any other penalties provided for the commission of the offense,  
11 any person found guilty of violating KRS 367.667(1)(c):

12 a. Shall be punished by a fine of no less than five hundred dollars (\$500) for  
13 the first offense and no less than five thousand dollars (\$5,000) for any  
14 subsequent offense; and

15 b. Pay restitution of any financial benefit secured through conduct  
16 proscribed by KRS 367.667(1)(c).

17 3. The Office of the Attorney General or the appropriate Commonwealth's  
18 attorney shall have concurrent enforcement powers as to fines, felonies, and  
19 misdemeanors under this paragraph.

20 (c) Any person who knowingly violates any provision of KRS 367.652, 367.653,  
21 367.656, 367.657, 367.658, 367.666, or 367.668 or who knowingly gives false or  
22 incorrect information to the Attorney General in filing statements or reports required  
23 by KRS 367.650 to 367.670 shall be guilty of a Class D felony.

24 ~~(10)~~~~(11)~~ Any dealer who fails to provide a statement under KRS 367.760 or a notice under  
25 KRS 367.765 shall be liable for a penalty of one hundred dollars (\$100) per violation to be  
26 collected in the name of the Commonwealth upon action of the Attorney General.

27 ~~(11)~~~~(12)~~ Any dealer or manufacturer who falsifies a statement under KRS 367.760 shall be

1           liable for a penalty not exceeding one thousand dollars (\$1,000) to be collected in the name  
2           of the Commonwealth upon action by the Attorney General.

3 ~~(12)~~~~(13)~~ Any person who violates KRS 367.805, 367.809(2), 367.811, 367.813(1), or 367.816  
4           shall be guilty of a Class C felony.

5 ~~(13)~~~~(14)~~ Either the Attorney General or the appropriate Commonwealth's attorney shall have  
6           authority to prosecute violations of KRS 367.801 to 367.819.

7 ~~(14)~~~~(15)~~ A violation of KRS 367.474 to 367.478 and 367.482 is a Class C felony. Either the  
8           Attorney General or the appropriate Commonwealth's attorney shall have authority to  
9           prosecute violators of KRS 367.474 to 367.478 and 367.482.

10 ~~(15)~~~~(16)~~ Any person who violates KRS 367.310 shall be guilty of a violation.

11 ~~(16)~~~~(17)~~ Any person, partnership, or corporation who violates the provisions of KRS 367.850  
12           shall be guilty of a Class A misdemeanor.

13 ~~(17)~~~~(18)~~ Any dealer in motor vehicles or any other person who fraudulently changes, sets  
14           back, disconnects, fails to connect, or causes to be changed, set back, or disconnected, the  
15           speedometer or odometer of any motor vehicle, to effect the sale of the motor vehicle shall  
16           be guilty of a Class D felony.

17 ~~(18)~~~~(19)~~ Any person who negotiates a contract of membership on behalf of a club without  
18           having previously fulfilled the bonding requirement of KRS 367.403 shall be guilty of a  
19           Class D felony.

20 ~~(19)~~~~(20)~~ Any person or corporation who operates or attempts to operate a health spa in  
21           violation of KRS 367.905(1) shall be guilty of a Class A misdemeanor.

22 ~~(20)~~~~(21)~~ (a) Any person who violates KRS 367.832 shall be guilty of a Class C felony; and

23           (b) The appropriate Commonwealth's attorney shall have authority to prosecute felony  
24           violations of KRS 367.832.

25 ~~(21)~~~~(22)~~ (a) Any person who violates the provisions of KRS 367.855 or 367.857 shall be  
26           guilty of a violation. Either the Attorney General or the appropriate county health  
27           department may prosecute violators of KRS 367.855 or 367.857.

1 (b) The provisions of this subsection shall not apply to any retail establishment if the  
2 wholesaler, distributor, or processor fails to comply with the provisions of KRS  
3 367.857.

4 ~~(22)~~~~(23)~~ Notwithstanding any other provision of law, any telemarketing company,  
5 telemarketer, caller, or merchant shall be guilty of a Class D felony when that  
6 telemarketing company, telemarketer, caller, or merchant three (3) times in one (1)  
7 calendar year knowingly and willfully violates KRS 367.46955(15) by making or causing  
8 to be made an unsolicited telephone solicitation call to a telephone number that appears in  
9 the current publication of the zero call list maintained by the Office of the Attorney  
10 General's Office of Consumer Protection.

11 ~~(23)~~~~(24)~~ Notwithstanding any other provision of law, any telemarketing company,  
12 telemarketer, caller, or merchant shall be guilty of a Class A misdemeanor when that  
13 telemarketing company, telemarketer, caller, or merchant uses a zero call list identified in  
14 KRS 367.46955(15) for any purpose other than complying with the provisions of KRS  
15 367.46951 to 367.46999.

16 ~~(24)~~~~(25)~~ (a) Notwithstanding any other provision of law, any telemarketing company,  
17 telemarketer, caller, or merchant that violates KRS 367.46951 to 367.46999 shall be  
18 assessed a civil penalty of not more than five thousand dollars (\$5,000) for each  
19 offense.

20 (b) The Attorney General, or any person authorized to act in his or her behalf, shall  
21 initiate enforcement of a civil penalty imposed under paragraph (a) of this subsection.

22 (c) Any civil penalty imposed under paragraph (a) of this subsection may be  
23 compromised by the Attorney General or his or her designated representative. In  
24 determining the amount of the penalty or the amount agreed upon in compromise, the  
25 Attorney General, or his or her designated representative, shall consider the  
26 appropriateness of the penalty to the financial resources of the telemarketing  
27 company, telemarketer, caller, or merchant charged, the gravity of the violation, the

1 number of times the telemarketing company, telemarketer, caller, or merchant  
2 charged has been cited, and the good faith of the telemarketing company,  
3 telemarketer, caller, or merchant charged in attempting to achieve compliance, after  
4 notification of the violation.

- 5 (d) If a civil penalty is imposed under this subsection, a citation shall be issued which  
6 describes the violation which has occurred and states the penalty for the violation. If,  
7 within fifteen (15) working days from the receipt of the citation, the affected party  
8 fails to pay the penalty imposed, the Attorney General, or any person authorized to  
9 act in his or her behalf, shall initiate a civil action to collect the penalty. The civil  
10 action shall be taken in the court which has jurisdiction over the location in which the  
11 violation occurred.

12 ~~(25)~~~~(26)~~ Any person who violates KRS 367.500 shall be liable for a penalty of two thousand  
13 five hundred dollars (\$2,500) per violation. Either the Attorney General or the appropriate  
14 Commonwealth's attorney may prosecute violations of KRS 367.500.

15 **(26) (a) In any action brought under KRS 367.190, if the court finds that a person is**  
16 **willfully using or has willfully used a method, act, or practice declared unlawful by**  
17 **KRS 367.170, the Attorney General, upon petition to the court, may recover on**  
18 **behalf of the Commonwealth a civil penalty of not more than:**

19 **1. Two thousand dollars (\$2,000) per violation; or**

20 **2. Ten thousand dollars (\$10,000) per violation if the defendant's conduct is**  
21 **directed at a person aged sixty (60) or older, and the trier of fact determines**  
22 **that the defendant knew or should have known that the person is aged sixty**  
23 **(60) or older and substantially more vulnerable than other members of the**  
24 **public.**

25 **(b) For purposes of this subsection:**

26 **1. Any method, act, or practice declared unlawful by KRS 367.170 shall**  
27 **constitute a separate violation as to each:**

1           a. Consumer to whom a method, act, or practice declared unlawful by KRS  
2           367.170 was directed, communicated, or applied, regardless of whether  
3           the consumer suffered actual pecuniary loss;

4           b. Transaction in which a method, act, or practice declared unlawful by  
5           KRS 367.170 was employed, including but not limited to each sale, offer,  
6           solicitation, advertisement or advertisement placement, communication,  
7           other act connected with the unlawful conduct; and

8           c. Separately identifiable method, act, or practice declared unlawful by  
9           KRS 367.170, even if arising from the same transaction or directed at  
10           the same consumer; and

11           2. Any method, act, or practice declared unlawful by KRS 367.170 that is not  
12           identified as being in connection with a specific identifiable person or  
13           transaction, but that is continuing in nature, shall constitute a separate  
14           violation for each day that the unlawful method, act, or practice exists or  
15           continues.

16           (c) Proof of actual injury to a consumer as a prerequisite to the assessment of civil  
17           penalties under this subsection shall not be required, as the civil penalty provisions  
18           in this subsection are intended to punish and deter the violator and not intended  
19           solely to compensate injured parties.

20           (d) In determining the amount of the civil penalty established in paragraph (a) of this  
21           subsection to be assessed for each violation, the trier of fact may consider, either  
22           alone or in combination, the following factors:

23           1. Whether the person charged with the violation was acting in good faith or bad  
24           faith;

25           2. The nature, extent, and severity of the injury to consumers and the public;

26           3. The person's ability to pay;

27           4. The amount of profit or gain obtained through the unlawful conduct;

1           **5. The duration of the unlawful conduct;**

2           **6. The desire to eliminate any benefit derived from the violation and to deter**  
3           **future violations; and**

4           **7. Any prior violations of KRS 367.170 by the person.**

5           **(e) For purposes of this subsection, "person" has the same meaning as in KRS**  
6           **367.110.**

7           **(f) This subsection shall:**

8           **1. Be liberally construed to effectuate its purpose of protecting consumers and**  
9           **the public from unfair, false, misleading, or deceptive acts or practices, and to**  
10           **provide the Attorney General the enforcement tools necessary to deter**  
11           **unlawful conduct; and**

12           **2. Not be construed to limit the:**

13           **a. Methods by which the Attorney General or trier of fact may determine**  
14           **the number of violations in any particular action; or**

15           **b. Right of the trier of fact to determine the number of violations for which**  
16           **a person may properly be held responsible based upon the**  
17           **circumstances of the case.**

18           ➔Section 46. KRS 367.360 is amended to read as follows:

19 To accomplish the objectives and to carry out the duties prescribed by KRS 367.350 the Attorney  
20 General, in addition to other powers conferred upon him by KRS 367.990~~[(5)]~~, may issue  
21 subpoenas to any person, administer an oath or affirmation to any person, or conduct hearings in  
22 aid of any investigation or inquiry, provided that information obtained pursuant to the powers  
23 conferred by this section shall not be made public or disclosed by the Attorney General or his  
24 employees beyond the extent necessary for law enforcement purposes in the public interest.

25           ➔Section 47. Whereas, musicians and music venues are vital to the economy of the  
26 Commonwealth, the Kentucky Film Leadership Council is directed to study, examine, and  
27 evaluate the needs of Kentucky's musicians and music venues. The study shall be conducted by

1 the executive director of the Kentucky Film Office or his or her designee, the secretary of the  
2 Cabinet for Economic Development or his or her designee, and the secretary of the Education  
3 and Labor Cabinet or his or her designee. The study shall assess the needs of Kentucky  
4 musicians and music venues in this state and provide strategies regarding how the  
5 Commonwealth may further facilitate industry growth and the development of partnerships  
6 between state agencies, universities, and this vital industry. The study shall identify both  
7 opportunities and barriers this industry faces in expanding within the state. The findings and  
8 results of this study shall be submitted to the Legislative Research Commission by November 1,  
9 2026, for referral to the Interim Joint Committee on Economic Development and Workforce  
10 Investment.

11 →Section 48. 2026 RS HB 757/VO, Section 7, is amended to read as follows:

12 In the case of taxpayers other than corporations:

- 13 (1) Adjusted gross income shall be calculated by subtracting from the gross income of those  
14 taxpayers the deductions allowed individuals by Section 62 of the Internal Revenue Code  
15 and adjusting as follows:
- 16 (a) Exclude income that is exempt from state taxation by the Kentucky Constitution and  
17 the Constitution and statutory laws of the United States;
  - 18 (b) Exclude income from supplemental annuities provided by the Railroad Retirement  
19 Act of 1937 as amended and which are subject to federal income tax by Pub. L. No.  
20 89-699;
  - 21 (c) Include interest income derived from obligations of sister states and political  
22 subdivisions thereof;
  - 23 (d) Exclude employee pension contributions picked up as provided for in KRS 6.505,  
24 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610, and 161.540  
25 upon a ruling by the Internal Revenue Service or the federal courts that these  
26 contributions shall not be included as gross income until such time as the  
27 contributions are distributed or made available to the employee;

- 1 (e) Exclude Social Security and railroad retirement benefits subject to federal income  
2 tax;
- 3 (f) Exclude any money received because of a settlement or judgment in a lawsuit  
4 brought against a manufacturer or distributor of "Agent Orange" for damages  
5 resulting from exposure to Agent Orange by a member or veteran of the Armed  
6 Forces of the United States or any dependent of such person who served in Vietnam;
- 7 (g) 1. a. For taxable years beginning after December 31, 2005, but before January  
8 1, 2018, exclude up to forty-one thousand one hundred ten dollars  
9 (\$41,110) of total distributions from pension plans, annuity contracts,  
10 profit-sharing plans, retirement plans, or employee savings plans; and
- 11 b. For taxable years beginning on or after January 1, 2018, exclude up to  
12 thirty-one thousand one hundred ten dollars (\$31,110) of total  
13 distributions from pension plans, annuity contracts, profit-sharing plans,  
14 retirement plans, or employee savings plans.
- 15 2. As used in this paragraph:
- 16 a. "Annuity contract" has the same meaning as set forth in Section 1035 of  
17 the Internal Revenue Code;
- 18 b. "Distributions" includes but is not limited to any lump-sum distribution  
19 from pension or profit-sharing plans qualifying for the income tax  
20 averaging provisions of Section 402 of the Internal Revenue Code; any  
21 distribution from an individual retirement account as defined in Section  
22 408 of the Internal Revenue Code; and any disability pension distribution;
- 23 and
- 24 c. "Pension plans, profit-sharing plans, retirement plans, or employee  
25 savings plans" means any trust or other entity created or organized under a  
26 written retirement plan and forming part of a stock bonus, pension, or  
27 profit-sharing plan of a public or private employer for the exclusive

- 1 benefit of employees or their beneficiaries and includes plans qualified or  
2 unqualified under Section 401 of the Internal Revenue Code and  
3 individual retirement accounts as defined in Section 408 of the Internal  
4 Revenue Code;
- 5 (h) 1. a. Exclude the portion of the distributive share of a shareholder's net income  
6 from an S corporation subject to the franchise tax imposed under KRS  
7 136.505 or the capital stock tax imposed under KRS 136.300; and  
8 b. Exclude the portion of the distributive share of a shareholder's net income  
9 from an S corporation related to a qualified subchapter S subsidiary  
10 subject to the franchise tax imposed under KRS 136.505 or the capital  
11 stock tax imposed under KRS 136.300.
- 12 2. The shareholder's basis of stock held in an S corporation where the S  
13 corporation or its qualified subchapter S subsidiary is subject to the franchise  
14 tax imposed under KRS 136.505 or the capital stock tax imposed under KRS  
15 136.300 shall be the same as the basis for federal income tax purposes;
- 16 (i) Exclude income received for services performed as a precinct worker for election  
17 training or for working at election booths in state, county, and local primaries or  
18 regular or special elections;
- 19 (j) Exclude any capital gains income attributable to property taken by eminent domain;
- 20 (k) 1. Exclude all income from all sources for members of the Armed Forces who are  
21 on active duty and who are killed in the line of duty, for the year during which  
22 the death occurred and the year prior to the year during which the death  
23 occurred.
- 24 2. For the purposes of this paragraph, "all income from all sources" shall include  
25 all federal and state death benefits payable to the estate or any beneficiaries;
- 26 (l) Exclude all military pay received by members of the Armed Forces while on active  
27 duty;

- 1 (m) 1. Include the amount deducted for depreciation under 26 U.S.C. sec. 167 or 168;  
 2 and  
 3 2. Exclude the amounts allowed by KRS 141.0101 for depreciation;
- 4 (n) Include the amount deducted under 26 U.S.C. sec. 199A;
- 5 (o) Ignore any change in the cost basis of the surviving spouse's share of property owned  
 6 by a Kentucky community property trust occurring for federal income tax purposes as  
 7 a result of the death of the predeceasing spouse;
- 8 (p) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and 278,  
 9 related to the tax treatment of forgiven covered loans, deductions attributable to those  
 10 loans, and tax attributes associated with those loans for taxable years ending on or  
 11 after March 27, 2020, but before January 1, 2022;
- 12 (q) For taxable years beginning on or after January 1, 2020, but before March 11, 2023,  
 13 allow the same treatment of restaurant revitalization grants in accordance with Pub.  
 14 L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c, related to the tax treatment of the  
 15 grants, deductions attributable to those grants, and tax attributes associated with those  
 16 grants;
- 17 (r) For taxable years beginning on or after January 1, 2026:  
 18 1. Include the amount deducted for domestic research or experimental  
 19 expenditures under 26 U.S.C. sec. 174A; and  
 20 2. Allow a subtraction equal to the amortization of ~~Exclude the amount deducted~~  
 21 ~~for~~ domestic research or experimental expenditures computed in accordance  
 22 with ~~under~~ 26 U.S.C. sec. 174, as that section existed on December 31, 2024;
- 23 (s) Include the amount deducted for any qualified film or television production, any  
 24 qualified live theatrical production, and any qualified sound recording production  
 25 under 26 U.S.C. sec. 181; and
- 26 (t) Include interest deducted under 26 U.S.C. sec. 139L for amounts paid to a qualified  
 27 lender on any qualified real estate loan; and

- 1 (2) Net income shall be calculated by subtracting from adjusted gross income all the  
2 deductions allowed individuals by Chapter 1 of the Internal Revenue Code, as modified by  
3 KRS 141.0101, except:
- 4 (a) Any deduction allowed by 26 U.S.C. sec. 164 for taxes;
  - 5 (b) Any deduction allowed by 26 U.S.C. sec. 165 for losses, except wagering losses  
6 allowed under Section 165(d) of the Internal Revenue Code;
  - 7 (c) Any deduction allowed by 26 U.S.C. sec. 213 for medical care expenses;
  - 8 (d) Any deduction allowed by 26 U.S.C. sec. 217 for moving expenses;
  - 9 (e) Any deduction allowed by 26 U.S.C. sec. 67 for any other miscellaneous deduction;
  - 10 (f) Any deduction allowed by the Internal Revenue Code for amounts allowable under  
11 KRS 140.090(1)(h) in calculating the value of the distributive shares of the estate of a  
12 decedent, unless there is filed with the income return a statement that the deduction  
13 has not been claimed under KRS 140.090(1)(h);
  - 14 (g) Any deduction allowed by 26 U.S.C. sec. 151 for personal exemptions and any other  
15 deductions in lieu thereof;
  - 16 (h) Any deduction allowed for amounts paid to any club, organization, or establishment  
17 which has been determined by the courts or an agency established by the General  
18 Assembly and charged with enforcing the civil rights laws of the Commonwealth, not  
19 to afford full and equal membership and full and equal enjoyment of its goods,  
20 services, facilities, privileges, advantages, or accommodations to any person because  
21 of race, color, religion, national origin, or sex, except nothing shall be construed to  
22 deny a deduction for amounts paid to any religious or denominational club, group, or  
23 establishment or any organization operated solely for charitable or educational  
24 purposes which restricts membership to persons of the same religion or denomination  
25 in order to promote the religious principles for which it is established and maintained;
  - 26 (i) A taxpayer may elect to claim the standard deduction allowed by KRS 141.081  
27 instead of itemized deductions allowed pursuant to 26 U.S.C. sec. 63 and as modified

1 by this section;

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

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

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

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

12 ➔Section 49. 2026 RS HB 757/VO, Section 8, is amended to read as follows:

13 In the case of corporations:

14 (1) Gross income shall be calculated by adjusting federal gross income as defined in Section  
15 61 of the Internal Revenue Code as follows:

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

18 (b) Exclude all dividend income;

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

21 (d) Exclude fifty percent (50%) of gross income derived from any disposal of coal  
22 covered by Section 631(c) of the Internal Revenue Code if the corporation does not  
23 claim any deduction for percentage depletion, or for expenditures attributable to the  
24 making and administering of the contract under which such disposition occurs or to  
25 the preservation of the economic interests retained under such contract;

26 (e) Include the amount calculated under KRS 141.205;

27 (f) Ignore the provisions of Section 281 of the Internal Revenue Code in computing

- 1 gross income;
- 2 (g) Include the amount of depreciation deduction calculated under 26 U.S.C. sec. 167 or
- 3 168;
- 4 (h) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and 278,
- 5 related to the tax treatment of forgiven covered loans, deductions attributable to those
- 6 loans, and tax attributes associated with those loans for taxable years ending on or
- 7 after March 27, 2020, but before January 1, 2022;
- 8 (i) For taxable years beginning on or after January 1, 2020, but before March 11, 2023,
- 9 allow the same treatment of restaurant revitalization grants in accordance with Pub.
- 10 L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c, related to the tax treatment of the
- 11 grants, deductions attributable to those grants, and tax attributes associated with those
- 12 grants;
- 13 (j) For taxable years beginning on or after January 1, 2026:
- 14 1. Include the amount deducted for domestic research or experimental
- 15 expenditures under 26 U.S.C. sec. 174A; and
- 16 2. **Allow a subtraction equal to the amortization of** ~~Exclude the amount deducted~~
- 17 ~~for~~ domestic research or experimental expenditures **computed in accordance**
- 18 **with** ~~under~~ 26 U.S.C. sec. 174, as that section existed on December 31, 2024;
- 19 (k) Include the amount deducted for any qualified film or television production, any
- 20 qualified live theatrical production, and any qualified sound recording production
- 21 under 26 U.S.C. sec. 181;
- 22 (l) Include interest deducted under 26 U.S.C. sec. 139L for amounts paid to a qualified
- 23 lender on any qualified real estate loan; and
- 24 (m) For purposes of determining the limitation on business interest under 26 U.S.C. sec.
- 25 163(j), the provisions of that section in effect on December 31, 2024, exclusive of
- 26 any amendments made subsequent to that date, shall be used; and
- 27 (2) Net income shall be calculated by subtracting from gross income:

- 1 (a) The deduction for depreciation allowed by KRS 141.0101;
- 2 (b) Any amount paid for vouchers or similar instruments that provide health insurance  
3 coverage to employees or their families;
- 4 (c) All the deductions from gross income allowed corporations by Chapter 1 of the  
5 Internal Revenue Code, as modified by KRS 141.0101, except:
- 6 1. Any deduction for a state tax which is computed, in whole or in part, by  
7 reference to gross or net income and which is paid or accrued to any state of the  
8 United States, the District of Columbia, the Commonwealth of Puerto Rico, any  
9 territory or possession of the United States, or to any foreign country or political  
10 subdivision thereof;
- 11 2. The deductions contained in Sections 243, 245, and 247 of the Internal Revenue  
12 Code;
- 13 3. The provisions of Section 281 of the Internal Revenue Code shall be ignored in  
14 computing net income;
- 15 4. Any deduction directly or indirectly allocable to income which is either exempt  
16 from taxation or otherwise not taxed under the provisions of this chapter, except  
17 for deductions allowed under Pub. L. No. 116-260, secs. 276 and 278, related to  
18 the tax treatment of forgiven covered loans and deductions attributable to those  
19 loans for taxable years ending on or after March 27, 2020, but before January 1,  
20 2022; and deductions allowed under Pub. L. No. 117-2, sec. 9673 and 15 U.S.C.  
21 sec. 9009c, related to the tax treatment of restaurant revitalization grants and  
22 deductions attributable to those grants for taxable years beginning on or after  
23 January 1, 2020, but before March 11, 2023. Nothing in this chapter shall be  
24 construed to permit the same item to be deducted more than once;
- 25 5. Any deduction for amounts paid to any club, organization, or establishment  
26 which has been determined by the courts or an agency established by the  
27 General Assembly and charged with enforcing the civil rights laws of the

1 Commonwealth, not to afford full and equal membership and full and equal  
2 enjoyment of its goods, services, facilities, privileges, advantages, or  
3 accommodations to any person because of race, color, religion, national origin,  
4 or sex, except nothing shall be construed to deny a deduction for amounts paid  
5 to any religious or denominational club, group, or establishment or any  
6 organization operated solely for charitable or educational purposes which  
7 restricts membership to persons of the same religion or denomination in order to  
8 promote the religious principles for which it is established and maintained;

9 6. Any deduction prohibited by KRS 141.205; and

10 7. Any dividends-paid deduction of any captive real estate investment trust; and

11 (d) 1. A deferred tax deduction in an amount computed in accordance with this  
12 paragraph.

13 2. For purposes of this paragraph:

14 a. "Net deferred tax asset" means that deferred tax assets exceed the deferred  
15 tax liabilities of the combined group, as computed in accordance with  
16 accounting principles generally accepted in the United States of America;  
17 and

18 b. "Net deferred tax liability" means deferred tax liabilities that exceed the  
19 deferred tax assets of a combined group as defined in KRS 141.202, as  
20 computed in accordance with accounting principles generally accepted in  
21 the United States of America.

22 3. Only publicly traded companies, including affiliated corporations participating  
23 in the filing of a publicly traded company's financial statements prepared in  
24 accordance with accounting principles generally accepted in the United States  
25 of America, as of January 1, 2019, shall be eligible for this deduction.

26 4. If the provisions of KRS 141.202 result in an aggregate increase to the  
27 member's net deferred tax liability, an aggregate decrease to the member's net

1           deferred tax asset, or an aggregate change from a net deferred tax asset to a net  
2           deferred tax liability, the combined group shall be entitled to a deduction, as  
3           determined in this paragraph.

4           5. For ten (10) years beginning with the combined group's first taxable year  
5           beginning on or after January 1, 2028, a combined group shall be entitled to a  
6           deduction from the combined group's entire net income equal to one-tenth  
7           (1/10) of the amount necessary to offset the increase in the net deferred tax  
8           liability, decrease in the net deferred tax asset, or aggregate change from a net  
9           deferred tax asset to a net deferred tax liability. The increase in the net deferred  
10          tax liability, decrease in the net deferred tax asset, or the aggregate change from  
11          a net deferred tax asset to a net deferred tax liability shall be computed based on  
12          the change that would result from the imposition of the combined reporting  
13          requirement under KRS 141.202, but for the deduction provided under this  
14          paragraph as of June 27, 2019.

15          6. The deferred tax impact determined in subparagraph 5. of this paragraph shall  
16          be converted to the annual deferred tax deduction amount, as follows:

17           a. The deferred tax impact determined in subparagraph 5. of this paragraph  
18           shall be divided by the tax rate determined under KRS 141.040;

19           b. The resulting amount shall be further divided by the apportionment factor  
20           determined by KRS 141.120 or 141.121 that was used by the combined  
21           group in the calculation of the deferred tax assets and deferred tax  
22           liabilities as described in subparagraph 5. of this paragraph; and

23           c. The resulting amount represents the total net deferred tax deduction  
24           available over the ten (10) year period as described in subparagraph 5. of  
25           this paragraph.

26          7. The deduction calculated under this paragraph shall not be adjusted as a result  
27          of any events happening subsequent to the calculation, including but not limited

1 to any disposition or abandonment of assets. The deduction shall be calculated  
 2 without regard to the federal tax effect and shall not alter the tax basis of any  
 3 asset. If the deduction under this section is greater than the combined group's  
 4 entire Kentucky net income, any excess deduction shall be carried forward and  
 5 applied as a deduction to the combined group's entire net income in future  
 6 taxable years until fully utilized.

- 7 8. Any combined group intending to claim a deduction under this paragraph shall  
 8 file a statement with the department on or before July 1, 2019. The statement  
 9 shall specify the total amount of the deduction which the combined group  
 10 claims on the form, including calculations and other information supporting the  
 11 total amounts of the deduction as required by the department. No deduction  
 12 shall be allowed under this paragraph for any taxable year, except to the extent  
 13 claimed on the timely filed statement in accordance with this paragraph.

14 ➔Section 50. 2026 RS HB 757/VO, Section 118, is amended to read as follows:

- 15 (1) As used in this section:

16 (a) "Existing development area" means a development area established by a county  
 17 containing a city of the first class or by a city of the first class prior to March 23,  
 18 2007, that is subject to the provisions of a grant contract, Interlocal Cooperation  
 19 Agreement, or Master Agreement executed prior to March 23, 2007; and

20 (b) "New development area" means a development area that:

- 21 1. Is created within an existing development area; and  
 22 2. Exists independent of the existing development area~~[Exists for a period of~~  
 23 ~~thirty (30) years, and may be extended for a period not to exceed an additional~~  
 24 ~~twenty five (25) years to accommodate the pilot program term permitted~~  
 25 ~~pursuant to KRS 65.4931].~~

- 26 (2) The provisions of KRS 65.490 to 65.499 shall apply only to:

27 (a) Existing development areas; and

- 1 (b) New development areas, provided that:
- 2 1. The project for the existing development area is amended to remove the new
- 3 development area from the existing development area;
- 4 2. All contracts regarding the application of increment derived from the new
- 5 development area require not less than:
- 6 a. Ten percent (10%) of the increment be paid to the agency for which the
- 7 existing development area was established;
- 8 b. Eighty percent (80%) of the increment be paid to the developer of the new
- 9 development area; and
- 10 c. Ten percent (10%) shall be retained by the Commonwealth or local
- 11 government, as applicable;
- 12 3. Notwithstanding KRS 65.495 to the contrary, the payment to the agency under
- 13 subparagraph 2. of this paragraph shall not be taken into account in determining
- 14 whether thresholds within the contract have been met;
- 15 4. The amendment of the project for an existing development area is approved by:
- 16 a. i. The county containing a city of the first class; or
- 17 ii. The city of the first class;
- 18 in which the existing development area is located;
- 19 b. The Kentucky Economic Development Finance Authority;
- 20 c. The agency for which the existing development area was established; and
- 21 d. If applicable, the insurer of any bonds issued for the benefit of the agency
- 22 for which the existing development area was established; and
- 23 5. Any negotiation or agreement made related to an existing development area or a
- 24 new development area shall be approved by the Kentucky Economic
- 25 Development Finance Authority.

26 ➔Section 51. 2026 RS SB 185/EN, Section 1, is amended to read as follows:

- 27 (1) Kentucky State University, recognized as an 1890 land-grant university that is Kentucky's

1       only public Historically Black College or University (HBCU), shall be a four (4) year  
2       residential polytechnic institution that focuses on highly technical, industry-based applied  
3       learning and offers liberal studies and polytechnic programs that are aligned with the  
4       workforce needs of the Commonwealth and consistent with the historical mission of an  
5       HBCU.

6       (2) The General Assembly declares that a state of financial exigency exists at Kentucky State  
7       University for five (5) years from the effective date of this Act or until such a date that the  
8       General Assembly affirmatively declares, based upon the recommendation of the Council  
9       on Postsecondary Education, that the university's finances are stable, whichever occurs  
10      first.

11      (3) (a) Kentucky State University shall not enter into any obligation or make any  
12              expenditure costing twenty thousand dollars (\$20,000) or more without prior  
13              approval of the Council on Postsecondary Education, including but not limited to any  
14              purchase, contract, or increase due to a personnel action.

15      (b) Kentucky State University shall:

- 16              1. Provide a monthly report of university finances to the Council on Postsecondary  
17              Education in the format requested by the council. The council shall provide a  
18              quarterly update on the financial status of the university to the Governor and the  
19              Legislative Research Commission;
- 20              2. Fully cooperate with the council in its exercise of the financial oversight  
21              granted to the council under this subsection;
- 22              3. Timely provide all information and documentation deemed by the council to be  
23              relevant to the financial oversight; and
- 24              4. Timely consult with the council on all major financial matters during the state  
25              of financial exigency declared in subsection (2) of this section.

26      (c) The financial oversight granted to the council under this subsection shall continue for  
27      the entire duration of the financial exigency declared in subsection (2) of this section.

1 (4) Notwithstanding KRS 164A.560, beginning no later than July 1, 2027, all financial  
 2 transactions of Kentucky State University shall be reported and reconciled no less than  
 3 monthly in the Enhanced Management Administrative Reporting System (EMARS).

4 (5) Kentucky State University shall not incur a budget deficit for the remaining duration of the  
 5 financial exigency declared in subsection (2) of this section.

6 ~~[(6) Any organization registered with the Kentucky Secretary of State or any member or officer  
 7 of any such organization having entered into a public-private lease agreement with  
 8 Kentucky State University shall not be eligible to transact any business or enter into any  
 9 contract with Kentucky State University or any other agency or instrumentality of the  
 10 Commonwealth or subdivision thereof after the effective date of this Act. Any such  
 11 contract purported to be executed or renewed with any such organization or individual after  
 12 the effective date of this Act shall be null and void.]~~

13 ➔Section 52. 2026 RS HB 757/VO, Section 5, is amended to read as follows:

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

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

25 2. ***The Signature Projects Program shall sunset on December 31, 2028, and new***  
 26 ***applications shall not be submitted or considered for approval after December***  
 27 ***31, 2028.***

1           **3.** Projects approved for a program prior to the ~~effective~~ date the program shall  
 2           sunset under subparagraph 1. or 2. of this paragraph~~of this section of this~~  
 3           ~~Act~~ shall continue to be governed in accordance with the tax incentive  
 4           agreement's terms and conditions as set forth in KRS 154.30-070.

5           ~~4.3.~~ Tax incentive agreements related to the programs under paragraph (a) of this  
 6           subsection and in effect on the effective date of this section of this Act shall  
 7           not be amended or have activation date extensions approved by the  
 8           Commonwealth after the effective date of this section of this Act.

9       (2) (a) Except as provided in subsection (1)(b)3. of this section, a city or county that has  
 10       established a development area pursuant to KRS 65.7049, 65.7051, and 65.7053, or  
 11       an agency designated as the entity managing a development area established pursuant  
 12       to KRS 65.7049, 65.7051, and 65.7053, may submit an application to the authority  
 13       requesting that the Commonwealth participate in a project, before the effective date  
 14       of this section of this Act.

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

- 19       a. A copy of the ordinance adopted by the city or county establishing the  
 20       development area;
- 21       b. A copy of the local participation agreement; and
- 22       c. Data and information supporting the determinations and findings required  
 23       by KRS 65.7049.

24       2. The staff of the authority shall review the application to determine if the  
 25       applicant has met all of the statutory and regulatory requirements established by  
 26       this subchapter and shall notify the applicant in writing of its determination.  
 27       This review shall be preliminary in nature and shall not constitute approval of

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

1 or a portion of the state real property ad valorem tax incremental revenue of the  
2 Commonwealth or state tax revenues attributable to the footprint of the project, as limited  
3 by KRS 154.30-040, 154.30-050, or 154.30-060, whichever is applicable.

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

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

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

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

27 1. The estimated approved public infrastructure costs for the project and, if

- 1 relevant, approved signature project costs, financing costs, and costs associated  
2 with land preparation, demolition, and clearance;
- 3 2. The feasibility of the project, taking into account the scope and location of the  
4 project;
- 5 3. The estimated amount of local tax revenues and state tax revenues, as  
6 applicable, that would be generated by the project over the period, which may  
7 be up to twenty (20) years or thirty (30) years, as applicable, from the activation  
8 date;
- 9 4. The estimated amount of local tax revenues and state tax revenues, as  
10 applicable, that would be displaced within the Commonwealth, for the purpose  
11 of quantifying economic activity which is being shifted over the same period as  
12 that set forth in subparagraph 3. of this paragraph. The projections for displaced  
13 activity shall include economic activity that is lost to the Commonwealth as a  
14 result of the project, as well as economic activity that is diverted to the project  
15 that formerly took place at existing establishments within the Commonwealth  
16 prior to the commencement date of the project;
- 17 5. The estimated amount of local and state old revenues that would have been  
18 generated in the footprint of the project in the absence of the project, computed  
19 over the same time period as set forth in subparagraph 3. of this paragraph;
- 20 6. In the process of estimating the revenues and impacts prescribed in  
21 subparagraphs 3. and 4. of this paragraph, the independent outside consultant  
22 shall not consider any of the following:
- 23 a. Revenues or economic impacts associated with any projects within the  
24 development area where the new project will be located; and
- 25 b. Revenues or economic impacts associated with economic development  
26 projects and approved Kentucky Tourism Development Act projects  
27 under KRS Chapter 148;

- 1           7. The relationship of the estimated incremental revenues to the financing needs,  
2           including any increment bonds, of the project;
- 3           8. When estimating the fiscal impact of the project, the consultant shall evaluate  
4           the amount of revenue estimated in subparagraph 3. of this paragraph and shall  
5           deduct the amounts estimated in subparagraphs 4. and 5. of this paragraph. The  
6           resulting difference shall be compared to the estimated incremental revenues to  
7           determine the presence or absence of a positive fiscal impact; and
- 8           9. A determination that the project will not occur if not for the designation of the  
9           development area, the granting of incremental revenues by the taxing district or  
10          districts, other than the Commonwealth, and the granting of the state tax  
11          incremental revenues.
- 12          (b) 1. The independent consultant or financial advisor shall consult with the Office of  
13          State Budget Director, and the Finance and Administration Cabinet in the  
14          development of the report.
- 15          2. The Office of State Budget Director and the staff of the authority, in  
16          collaboration with the independent consultant or financial advisor, shall agree  
17          on a methodology to be used and assumptions to be made by the independent  
18          consultant or financial consultant in preparing its report.
- 19          3. On the basis of the independent consultant's report and the other materials  
20          provided, prior to any approval of a project by the authority, the Office of State  
21          Budget Director and the Finance and Administration Cabinet shall certify to the  
22          authority whether there is a projected net positive economic impact to the  
23          Commonwealth and the expected amount of state tax incremental revenues  
24          from the project.
- 25          4. The city, county, or agency making the application shall pay all costs associated  
26          with the independent consultant's or financial advisor's report.

27          ➔Section 53. 2026 RS HB 757/VO, Section 107, is amended to read as follows:

1 As used in this subchapter:

2 (1) "Activation date" means:

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

7 (b) For signature projects approved under KRS 154.30-050(3)(a), the date established  
8 any time within a ten (10) year period after the commencement date.

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

13 (2) "Agency" means:

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

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

17 (c) A nonprofit corporation;

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

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

20 (f) A local industrial development authority established under KRS 154.50-301 to  
21 154.50-346;

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

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

24 (3) (a) "Approved public infrastructure costs" means costs associated with the acquisition,  
25 installation, construction, or reconstruction of public works, public improvements,  
26 and public buildings, including planning and design costs associated with the  
27 development of the public amenities.

- 1 (b) "Approved public infrastructure costs" includes but is not limited to costs incurred for  
2 the following:
- 3 1. Land preparation, including demolition and clearance work;
  - 4 2. Buildings;
  - 5 3. Sewers and storm drainage;
  - 6 4. Curbs, sidewalks, promenades, and pedways;
  - 7 5. Roads;
  - 8 6. Street lighting;
  - 9 7. The provision of utilities;
  - 10 8. Environmental remediation;
  - 11 9. Floodwalls and floodgates;
  - 12 10. Public spaces or parks;
  - 13 11. Parking;
  - 14 12. Easements and rights-of-way;
  - 15 13. Transportation facilities;
  - 16 14. Public landings;
  - 17 15. Amenities, including fountains, benches, and sculptures; and
  - 18 16. Riverbank modifications and improvements;
- 19 (4) "Approved signature project costs" means:
- 20 (a) The acquisition of land for portions of the project that are for infrastructure; and
  - 21 (b) Costs associated with the acquisition, installation, development, construction,  
22 improvement, or reconstruction of infrastructure, including planning and design costs  
23 associated with the development of infrastructure, including but not limited to  
24 parking structures, including portions of parking structures that serve as platforms to  
25 support development above;
- 26 that have been determined by the commission to represent a unique challenge in the  
27 financing of a project such that the project could not be developed without incentives

- 1 intended by this chapter to foster economic development;
- 2 (5) "Authority" means the Kentucky Economic Development Finance Authority established by  
3 KRS 154.20-010;
- 4 (6) "Capital investment" means:
- 5 (a) Obligations incurred for labor and to contractors, subcontractors, builders, and  
6 materialmen in connection with the acquisition, construction, installation, equipping,  
7 and rehabilitation of a project;
- 8 (b) The cost of acquiring land or rights in land within the development area on the  
9 footprint of the project, and any cost incident thereto, including recording fees;
- 10 (c) The cost of contract bonds and of insurance of all kinds that may be required or  
11 necessary during the course of acquisition, construction, installation, equipping, and  
12 rehabilitation of a project which is not paid by the contractor or contractors or  
13 otherwise provided;
- 14 (d) All costs of architectural and engineering services, including test borings, surveys,  
15 estimates, plans, specifications, preliminary investigations, supervision of  
16 construction, and the performance of all the duties required by or consequent upon  
17 the acquisition, construction, installation, equipping, and rehabilitation of a project;
- 18 (e) All costs that are required to be paid under the terms of any contract for the  
19 acquisition, construction, installation, equipping, and rehabilitation of a project; and
- 20 (f) All other costs of a nature comparable to those described in this subsection that occur  
21 after preliminary approval;
- 22 (7) "City" means any city, consolidated local government, or urban-county government;
- 23 (8) "Commencement date" means the final approval date or the date on which a tax incentive  
24 agreement is executed;
- 25 (9) "Commonwealth" means the Commonwealth of Kentucky;
- 26 (10) "County" means any county, consolidated local government, charter county, unified local  
27 government, or urban-county government;

- 1 (11) "CPI" means the nonseasonally adjusted Consumer Price Index for all urban consumers, all  
2 items, base year computed for 1982 to 1984 equals one hundred (100), published by the  
3 United States Department of Labor, Bureau of Labor Statistics;
- 4 (12) "Department" means the Department of Revenue;
- 5 (13) "Development area" means an area established under KRS 65.7049, 65.7051, and 65.7053;
- 6 (14) "Economic development projects" means projects which are approved for tax credits under  
7 Subchapter 20, 22, 23, 24, 25, 26, 27, 28, 34, or 48 of KRS Chapter 154;
- 8 (15) "Financing costs" means principal, interest, costs of issuance, debt service reserve  
9 requirements, underwriting discount, costs of credit enhancement or liquidity instruments,  
10 and other costs directly related to the issuance of bonds or debt for approved public  
11 infrastructure costs or approved signature project costs for projects approved pursuant to  
12 KRS 154.30-050;
- 13 (16) "Footprint" means the actual perimeter of a discrete, identified project within a  
14 development area. The footprint shall not include any portion of a development area  
15 outside the area for which actual capital investments are made and must be contiguous;
- 16 (17) "Governing body" means the body possessing legislative authority in a city or county;
- 17 (18) "Increment bonds" means bonds and notes issued for the purpose of paying the costs of one  
18 (1) or more projects;
- 19 (19) "Incremental revenues" means:
- 20 (a) The amount of revenues received by a taxing district, as determined by subtracting  
21 old revenues from new revenues in a calendar year with respect to a development  
22 area, or a project within a development area; or
- 23 (b) The amount of revenues received by the Commonwealth as determined by  
24 subtracting old revenues from new revenues in a calendar year with respect to the  
25 footprint;
- 26 (20) "Local participation agreement" means the agreement entered into under KRS 65.7063;
- 27 (21) "Local tax revenues" has the same meaning as in KRS 65.7045;

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

- 3 (a) The result of multiplying the portion of state tax revenues from individual income  
4 taxes by the modifier;
- 5 (b) Used for calculating state tax revenues in calendar years 2023 to 2048; and
- 6 (c) For projects approved prior to January 1, 2023;

7 (23) "Modifier" means the result of:

- 8 (a) 1. Dividing the individual income tax rate of five percent (5%), in effect as of  
9 December 31, 2022, by:
- 10 2. The individual income tax rate under KRS 141.020 for the calendar year in  
11 which the new revenues for income tax are being computed; and
- 12 (b) Beginning in calendar year 2026, reducing the result of paragraph (a) of this  
13 subsection by by three and three-tenths percent (3.3%) and in every subsequent  
14 calendar year after 2026 to 2048, further reducing the result by an additional one  
15 and one-tenth percent (1.1%)~~[Subtracting from the result of paragraph (a) of this~~  
16 ~~subsection the number one (1);~~
- 17 ~~(c) Multiplying the result of paragraph (b) of this subsection by twenty five percent~~  
18 ~~(25%); and~~
- 19 ~~(d) Adding to the result of paragraph (c) of this subsection the number one (1);~~

20 (24) "New revenues" means:

- 21 (a) The amount of local tax revenues received by a taxing district with respect to a  
22 development area in any calendar year beginning with the year in which the  
23 activation date occurred; and
- 24 (b) The amount of state tax revenues received by the Commonwealth with respect to the  
25 footprint in any calendar year beginning with the year in which the activation date  
26 occurred.

27 For projects approved prior to January 1, 2023, any state tax revenues received by the

1 Commonwealth from individual income tax shall be computed using modified new  
2 revenues for income tax;

3 (25) "Old revenues" means:

4 (a) The amount of local tax revenues received by a taxing district with respect to a  
5 development area as of December 31 of the year of preliminary approval; or

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

17 a. The percentage increase, if any, of the CPI or a comparable index; or

18 b. An alternative percentage increase that is determined to be appropriate by  
19 the authority.

20 The method for increasing old revenues shall be set forth in the tax incentive  
21 agreement.

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

27 (26) "Outstanding" means increment bonds that have been issued, delivered, and paid for by the

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

- 1 (30) "State real property ad valorem tax" means real property ad valorem taxes levied under  
2 KRS 132.020(1)(a);
- 3 (31) "State tax revenues" means revenues received by the Commonwealth from one (1) or more  
4 of the following sources:
- 5 (a) State real property ad valorem taxes;
- 6 (b) Individual income taxes levied under KRS 141.020, other than individual income  
7 taxes that have already been pledged to support an economic development project  
8 within the development area;
- 9 (c) Corporation income taxes levied under KRS 141.040, other than corporation income  
10 taxes that have already been pledged to support an economic development project  
11 within the development area;
- 12 (d) Limited liability entity taxes levied under KRS 141.0401, other than limited liability  
13 entity taxes that have already been pledged to support an economic development  
14 project within the development area; and
- 15 (e) Sales taxes levied under KRS 139.200, excluding sales taxes already pledged for:
- 16 1. Approved tourism attraction projects, as defined in KRS 148.851, within the  
17 development area; and
- 18 2. Projects which are approved for sales tax refunds under Subchapter 20 of KRS  
19 Chapter 154 within the development area;
- 20 (32) "Tax incentive agreement" means an agreement entered into in accordance with KRS  
21 154.30-070; and
- 22 (33) "Termination date" means:
- 23 (a) For a tax incentive agreement satisfying the requirements of KRS 154.30-040 or  
24 154.30-060, a date established by the tax incentive agreement that is no more than  
25 twenty (20) years from the activation date. However, the termination date for a tax  
26 incentive agreement shall in no event be more than forty (40) years from the  
27 establishment date of the development area to which the tax incentive agreement

1 relates; and

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

7 ➔Section 54. 26 RS HB 757/VO, Section 128, is amended to read as follows:

8 (1) As used in this section:

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

10 (b) "Professional ***golf*** sporting event" ~~is:~~

11 ~~1.—~~ means an organized, competitive ***golf*** event, governed by rules and a sporting  
12 body, where participants compete for compensation beyond actual expenses;  
13 ~~and~~

14 ~~2.— Excludes minor league sporting events;~~

15 (c) "Qualifying attraction" means a series of professional ***golf*** sporting events which is:

- 16 1. Held at a venue over a duration of at least three (3) consecutive days;
- 17 2. Hosted by a sponsoring entity pursuant to an agreement with a facility operator  
18 that authorizes the sponsoring entity to conduct one (1) or more series of a  
19 professional ***golf*** sporting event; and
- 20 3. Open to the public upon purchase of tickets, with attendance totaling at least  
21 one hundred thousand (100,000) admissions over the duration of each series of  
22 professional ***golf*** sporting events;~~and~~

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

24 (e) "Venue" means:

- 25 1. Public property located in a consolidated local government or in an urban-  
26 county government that is owned, operated, or controlled by the consolidated  
27 local government, urban-county government;

- 1           2. A park located in a consolidated local government that is:
- 2           a. Open to the general public; and
- 3           b. Owned, operated, or controlled by any nonprofit corporation established
- 4                 under the provisions of KRS 273.161 to 273.390;
- 5           3. Property located in a consolidated local government or in an urban-county
- 6                 government that is owned, operated, or controlled by a public university; or
- 7           4. Privately owned property located in a consolidated local government or in an
- 8                 urban-county government that is suitable for hosting professional *golf* sporting
- 9                 events and qualifying attractions.
- 10 (2) Notwithstanding KRS 134.580 and 139.770:
- 11       (a) A sponsoring entity shall be granted a sales tax incentive equal to one hundred
- 12             percent (100%) of the Kentucky sales tax generated by the sale of admissions to a
- 13             qualifying attraction held at a venue, and the sales of tangible personal property and
- 14             services related to the qualifying attraction, including but not limited to the sale of:
- 15             1. Food and beverage concessions;
- 16             2. Souvenirs;
- 17             3. Parking;
- 18             4. Suites;
- 19             5. Sponsorships; and
- 20             6. Other hospitality services;
- 21             sold at the qualifying attraction.
- 22       (b) One hundred percent (100%) of the sales tax incentive authorized in paragraph (a) of
- 23             this subsection shall be paid to the sponsoring entity of the qualifying attraction from
- 24             which the sales taxes were generated;
- 25       (c) Only one (1) incentive request shall be made for each qualifying attraction;
- 26       (d) The sponsoring entity shall have no obligation to refund or otherwise return any
- 27             amount of the sales tax incentive to the persons from whom the sales tax was

- 1 collected;
- 2 (e) The sales tax incentive shall be reduced by the vendor compensation allowed under  
3 KRS 139.570; and
- 4 (f) Interest shall not be allowed or paid on any sales tax incentive payment made under  
5 this section.
- 6 (3) The department shall accept initial applications for sales tax incentives under this section  
7 for qualifying attractions held on or after July 1, 2026.
- 8 (4) To be eligible for a sales tax incentive under this section, the sponsoring entity shall file an  
9 initial application with the department, which:
- 10 (a) Includes sufficient information regarding the qualifying attraction to demonstrate  
11 whether it qualifies for the sales tax incentive; and
- 12 (b) Is filed at least sixty (60) days prior to the date of the first professional *golf* sporting  
13 event constituting the qualifying attraction.
- 14 (5) Within thirty (30) days of receipt of the initial application, the department shall notify the  
15 sponsoring entity of its preliminary approval or denial of the qualifying attraction.
- 16 (6) If the initial application is denied, the department shall provide the reason for the denial.
- 17 (7) After approval of its initial application and the completion of the qualifying attraction, a  
18 sponsoring entity shall apply for a sales tax incentive no earlier than thirty (30) days  
19 following the end of the month during which sales taxes that were generated from the  
20 qualifying attraction are collected. The application may aggregate eligible sales taxes from  
21 previous months if the events comprising the qualifying attraction were held in more than  
22 one (1) month.
- 23 (8) The department shall review each application for a sales tax incentive and determine if it  
24 meets the requirements of this section, pending the verification of required attendance.
- 25 (9) In determining eligibility for a sales tax incentive authorized under this section, the  
26 department shall waive the duration and attendance requirements listed in subsection  
27 (1)(c)1. and 3. of this section if the person requesting an incentive demonstrates that any

- 1 delays, cancellations, or postponements were due to inclement weather or other  
2 extraordinary events beyond the control of the parties involved and that the weather or  
3 other extraordinary events rendered the satisfaction of the requirement impossible.
- 4 (10) Both the initial application and the sales tax incentive application shall be in the form  
5 prescribed by the department through the promulgation of an administrative regulation in  
6 accordance with KRS Chapter 13A.
- 7 (11) The department shall verify the amount of sales tax incentive and pay the allocations  
8 determined to be due in accordance with subsection (2)(b) of this section within forty-five  
9 (45) days of receipt of the later of:
- 10 (a) The application submitted under subsection (7) of this section; or  
11 (b) All necessary supporting information required by the department to determine that  
12 the sponsoring entity is eligible for the incentive.
- 13 (12) (a) Prior to November 1, 2027, and continuing each November 1 thereafter to November  
14 1, 2037, the department shall provide an annual report detailing information related to  
15 each qualifying attraction receiving incentives during the fiscal year concluding on  
16 June 30 of the reporting period.
- 17 (b) The department shall include the following information in the report:
- 18 1. The name of the qualifying attraction;  
19 2. The venue where the qualifying attraction was held;  
20 3. The name of the facility operator;  
21 4. The name of the sponsoring entity;  
22 5. The duration of the qualifying attraction and the number of admissions over that  
23 duration;  
24 6. The amount of incentive paid to the facility operator; and  
25 7. The amount of incentive paid to the sponsoring entity.
- 26 (c) The information required to be reported under this subsection shall not be considered  
27 confidential taxpayer information and shall not be subject to KRS Chapter 131 or any

1           other provisions of the Kentucky Revised Statutes prohibiting disclosure or reporting  
2           of information.

3 (13) The provisions of this section shall expire on November 30, 2036, and a qualifying  
4           attraction held after November 30, 2036, shall not be eligible for the incentives authorized  
5           in this section.

6 (14) The General Assembly is committed to the research and development of tourism policies,  
7           including the aspiration to hold other professional sporting events across the  
8           Commonwealth and especially in rural Kentucky.

9           ➔Section 55. 26 RS HB 904/VO, Section 22, is amended to read as follows:

10 (1) The corporation shall institute a system of sports wagering in conformance with federal  
11           law, this chapter, and by administrative regulations promulgated under the authority of  
12           KRS 230.215.

13 (2) Sports wagering shall not be offered in this state except as authorized by this section and  
14           KRS 230.811. A track that holds a license to operate sports wagering may contract with  
15           sports wagering service providers to conduct or manage sports wagering operations as  
16           authorized by this chapter. Sports wagering may be provided at a licensed facility for sports  
17           wagering or online through a website or mobile application. The licensed facility for sports  
18           wagering or a sports wagering service provider may provide sports wagering through a  
19           website or mobile interface as approved by the corporation. The corporation may provide  
20           temporary licenses to licensed facilities for sports wagering or sports wagering service  
21           providers, if the corporation deems that the information submitted by them is sufficient to  
22           determine the applicant's suitability. The corporation may promulgate administrative  
23           regulations to establish the suitability for temporary and ordinary license applications for  
24           licensed facilities for sports wagering, sports wagering service providers, and any related  
25           parties.

26 (3) Sports wagering licensees and service providers that accept wagers online via websites and  
27           mobile applications shall impose the following requirements:

- 1 (a) Prior to placing a wager online via websites or mobile applications operated by either  
2 a sports wagering licensee or a service provider, a patron shall register the patron's  
3 sports wagering account with the operating sports wagering licensee or service  
4 provider either in person at a licensed facility for sports wagering or remotely through  
5 the service provider's website or mobile application;
- 6 (b) 1. The registration process shall include attestation that the patron meets the  
7 requirements to place a wager with a sports wagering licensee or service  
8 provider in this state.
- 9 2. Prior to verification of a patron's identity, a sports wagering licensee or service  
10 provider shall not allow the patron to engage in sports wagering, make a  
11 deposit, or process a withdrawal via the patron's sports wagering account.
- 12 3. A sports wagering licensee or service provider shall implement commercially  
13 and technologically reasonable procedures to prevent access to sports wagering  
14 by any person under the age of twenty-one (21):
- 15 a. At a licensed facility; and  
16 b. Online via website or mobile application.
- 17 4. A sports wagering licensee or service provider may use information obtained  
18 from third parties to verify that a person is authorized to open an account, place  
19 wagers, and make deposits and withdrawals;
- 20 (c) A sports wagering licensee or service provider shall adopt an account registration  
21 policy to ensure that all patrons are authorized to place a wager with a sports  
22 wagering licensee or service provider within the Commonwealth of Kentucky. This  
23 policy shall include, without limitation, a mechanism by which to:
- 24 1. Verify the name and age of the patron;  
25 2. Verify that the patron is not prohibited from placing a wager; and  
26 3. Obtain the following information:  
27 a. A physical address other than a post office box;

- 1           b.    A phone number;
- 2           c.    A unique user name; and
- 3           d.    An email account;
- 4       (d) A sports wagering licensee or service provider shall use all commercially and  
5       technologically reasonable means to ensure that each patron is limited to one (1)  
6       account with that service provider in the Commonwealth, but nothing in this  
7       paragraph restricts a patron from holding other sports wagering accounts in other  
8       jurisdictions;
- 9       (e) A sports wagering licensee or service provider, in addition to complying with state  
10      and federal law pertaining to the protection of the private, personal information of  
11      patrons, shall use all other commercially and technologically reasonable means to  
12      protect this information consistent with industry standards;
- 13      (f) A sports wagering licensee or service provider shall use all commercially and  
14      technologically reasonable means to verify the identity of the patron making a deposit  
15      or withdrawal;
- 16      (g) A sports wagering licensee or service provider shall utilize geolocation or geofencing  
17      technology to ensure that wagers are only accepted from patrons who are physically  
18      located in the Commonwealth. A sports wagering licensee or service provider shall  
19      maintain in this state its servers used to transmit information for purposes of  
20      accepting or paying out wagers on a sporting event placed by patrons in this state;
- 21      (h) A patron may fund the patron's account using any acceptable form of payment or  
22      advance deposit method, which shall include the use of cash, cash equivalents, credit  
23      cards, debit cards, automated clearing house, other electronic methods, and any other  
24      form of payment authorized by the corporation; and
- 25      (i) The corporation may enter into agreements with other jurisdictions or entities to  
26      facilitate, administer, and regulate multijurisdictional sports betting by sports betting  
27      operators to the extent that entering into the agreement is consistent with state and

- 1 federal laws and the sports betting agreement is conducted only in the United States.
- 2 (4) A track may contract with no more than three (3) service providers at a time to conduct and  
3 manage services and technology which support the operation of sports betting both on the  
4 track and online via websites and mobile applications. The website or mobile application  
5 used to offer sports betting shall be offered only under the same brand as the track or that  
6 of the service provider contracted with the track, or both.
- 7 (5) (a) A track or service provider through an agreement with a licensed track shall not offer  
8 sports wagering until the corporation has issued a sports wagering license to the track,  
9 except for temporary licenses authorized under KRS 230.814.
- 10 (b) A track or association, or service provider through an agreement with a licensed  
11 track, shall not offer fixed-odds wagering until the corporation has issued a  
12 supplemental fixed-odds wagering license to the track.
- 13 (6) (a) A track licensed under KRS 230.811 may offer sports wagering at a facility that  
14 meets the definition of "track" in KRS 230.210.
- 15 (b) A simulcast facility may offer sports wagering through an agreement with a track by  
16 using any of that track's already established service providers.
- 17 (7) (a) As used in this subsection, "minimum bet limit":
- 18 1. Means the amount a bettor can win, not how much can be staked or collected;  
19 and
- 20 2. Includes that the minimum bet limit must be accepted by bookmakers on all  
21 fixed-odds wagers.
- 22 (b) A track or association licensed under this chapter may conduct fixed-odds wagering  
23 on horse racing with or without a service provider.
- 24 (c) A track or association or service provider licensed under this chapter shall have a  
25 mandatory minimum bet limit of at least one thousand dollars (\$1,000) per race.
- 26 (d) The betting menu shall be determined by the host track.
- 27 (8) (a) As used in this subsection, "proposition bet" means a wager on the performance

1 statistics of an individual athlete.

2 (b) A sports wagering licensee or service provider shall not offer or accept any  
3 proposition bets on an individual performance statistic on athletes participating in  
4 collegiate sporting events for a collegiate team located in Kentucky if the successful  
5 outcome of the wager is contingent upon the athlete failing to meet a specified  
6 statistical threshold or experiencing a negative performance outcome.

7 (9) (a) As used in this subsection:

8 1. "Affiliate" means an entity that is owned or controlled in whole or in part by the  
9 licensee; and

10 2. "Beneficial interest" means participation in the proceeds of prediction markets  
11 or events contracts either as a licensee or operator of the proceeds or an entity  
12 that receives prediction market or events contracts proceeds in any capacity.

13 (b) A track or association that holds a license to conduct horse racing, sports wagering, or  
14 a licensee offering fantasy contests under this chapter or its affiliate shall not  
15 participate in or contract with platforms that offer events contracts through a  
16 prediction market in the Commonwealth of Kentucky or have a beneficial interest in  
17 the proceeds of prediction markets in the Commonwealth of Kentucky.

18 (c) A track or association licensed to conduct horse racing, sports wagering, or a licensee  
19 offering fantasy contests under this chapter or its affiliate or an entity in which it has  
20 a beneficial interest shall not contract with a licensed sports wagering service  
21 provider that:

22 1. Offers sports events contracts through a prediction market in the  
23 Commonwealth of Kentucky; or

24 2. Owns, rents, licenses, advertises, operates, is partnered or affiliated with, or has  
25 a beneficial interest in, an entity that makes available to its users in any form a  
26 sports prediction market in the Commonwealth of Kentucky.

27 (d) A track or association licensed to conduct horse racing, sports wagering, or a

1 licensee offering fantasy contests under this chapter, its affiliate, or an entity in  
 2 which it has a beneficial interest shall not contract with an entity offering sports  
 3 event contracts or a sports prediction market in Kentucky.

4 (e) Notwithstanding paragraphs (b) to (d) of this subsection, a track or association  
 5 licensed to conduct horse racing, sports wagering, or a licensee offering fantasy  
 6 contests under this chapter found to have violated this section shall have twelve  
 7 (12) months to cure the violation without any additional penalty imposed by the  
 8 corporation. If the violation is not cured within twelve (12) months of the violation,  
 9 the corporation may take administrative action.

10 (10) Notwithstanding subsection (9) of this section, this chapter shall not prohibit the  
 11 corporation or the Department of Revenue from promulgating administrative regulations in  
 12 accordance with KRS Chapter 13A to regulate the conduct or activity of prediction markets  
 13 in the Commonwealth in accordance with applicable federal law.

14 (11) If a track or association holds two (2) or more licenses, only the specific license or licensee  
 15 for which the track or association has violated the terms shall be subject to suspension or  
 16 revocation or the applicable penalties.

17 (12) Nothing in this section shall ~~not~~ be construed to prevent a licensed sports wagering  
 18 service provider or a track or association licensed to conduct horse racing or sports  
 19 wagering or a licensee offering fantasy contests under this chapter from offering  
 20 advance~~advanced~~ deposit account wagering as defined in Section 1 of this Act.

21 ➔Section 56. 2026 RS HB 677/EN, Section 25, is amended to read as follows:

22 (1) No person shall commence to construct a merchant electric generating facility until that  
 23 person has applied for and obtained a construction certificate for the facility from the  
 24 board. The construction certificate shall be valid for a period of three (3) years after the  
 25 issuance date of the last permit required to be obtained from the Energy and Environment  
 26 Cabinet after which the certificate shall be void. The certificate shall be conditioned upon  
 27 the applicant obtaining necessary air, water, and waste permits. If an applicant has not

1       obtained all necessary permits and has not commenced to construct prior to the expiration  
2       date of the certificate, the applicant shall be required to obtain a new valid certificate from  
3       the board.

4       (2)   (a)   Except as provided in subsections (3), (4), and (5) of this section, no construction  
5       certificate shall be issued to construct a merchant electric generating facility unless:

- 6           1.   The exhaust stack of the proposed facility and any wind turbine is at least one  
7           thousand (1,000) feet from the property boundary of any adjoining property  
8           owner;
- 9           2.   All proposed structures or facilities used in connection with the generation ~~or~~  
10          ~~storage~~ of electricity are two thousand (2,000) feet from any residential  
11          neighborhood, school, hospital, or nursing home facility; and
- 12          3.   With regard to a wind power facility, the maximum height of the wind turbine,  
13          as measured from the natural grade to the top of the hub where the rotor  
14          attaches, does not exceed three hundred fifty (350) feet.

15       (b)   For purposes of applications for site compatibility certificates pursuant to KRS  
16       278.216:

- 17          1.   Only the exhaust stack of the proposed facility to be actually used for coal or  
18          gas-fired generation shall be required to be at least one thousand (1,000) feet  
19          from the property boundary of any adjoining property owner and two thousand  
20          (2,000) feet from any residential neighborhood, school, hospital, or nursing  
21          home facility;
- 22          2.   Any proposed structure to be actually used for the generation of electricity from  
23          solar or wind power shall be at least one thousand (1,000) feet from the  
24          property boundary of any adjoining property owner; and
- 25          3.   Any proposed structures or facilities used in connection with the generation ~~or~~  
26          ~~storage~~ of electricity from solar or wind power shall be at least two thousand  
27          (2,000) feet from any residential neighborhood, school, hospital, or nursing

1 home facility.

2 (3) If the merchant electric generating facility is proposed to be located in a county or a  
3 municipality with planning and zoning, then maximum height, decommissioning, and  
4 setback requirements from a property boundary, residential neighborhood, school, hospital,  
5 or nursing home facility may be established by the planning and zoning commission. Any  
6 decommissioning requirement, maximum height limitation, or setback established by a  
7 planning and zoning commission for a facility in an area over which it has jurisdiction  
8 shall:

9 (a) Except with regard to the minimum decommission bonding amount required in  
10 subsection (2)(m)5.a. of KRS 278.706, have primacy over the decommissioning  
11 requirements in KRS 278.706(2)(m), the maximum height limitation in subsection  
12 (2)(a)3. of this section, and the setback requirement in subsections (2) and (5) of this  
13 section; and

14 (b) Not be subject to modification or waiver by the board through a request for deviation  
15 by the applicant, as provided in subsection (4) of this section or otherwise.

16 (4) The board may grant a deviation from the requirements of subsection (2) of this section on  
17 a finding that the proposed facility is designed to and, as located, would meet the goals of  
18 KRS 224.10-280, 278.010, 278.212, 278.214, 278.216, 278.218, and 278.700 to 278.716 at  
19 a distance closer than those provided in subsection (2) of this section.

20 (5) If the merchant electric generating facility is proposed to be located on a site of a former  
21 coal processing plant in the Commonwealth where the electric generating facility will  
22 utilize on-site waste coal as a fuel source, then the one thousand (1,000) foot property  
23 boundary requirement in subsection (2)(a)1. of this section shall not be applicable;  
24 however, the applicant shall be required to meet any other setback requirements contained  
25 in subsection (2)(a)2. of this section.

26 (6) If requested, a merchant electric generating entity considering construction of a facility for  
27 the generation of electricity or a person acting on behalf of such an entity shall hold a

1 public meeting in any county where acquisition of real estate or any interest in real estate is  
2 being considered for the facility. A request for such a meeting may be made by the  
3 commission, or by any city or county governmental entity, including a board of  
4 commissioners, planning and zoning, fiscal court, mayor, or county judge/executive. The  
5 meeting shall be held not more than thirty (30) days from the date of the request.

6 (7) The purpose of the meeting under subsection (6) of this section is to fully inform  
7 landowners and other interested parties of the full extent of the project being considered,  
8 including the project time line. One (1) or more representatives of the entity with full  
9 knowledge of all aspects of the project shall be present and shall answer questions from the  
10 public.

11 (8) Notice of the time, subject, and location of the meeting under subsection (6) of this section  
12 shall be posted in both a local newspaper, if any, and a newspaper of general circulation in  
13 the county. Notice shall also be placed on the websites of the unregulated entity, and any  
14 local governmental unit. Owners of real estate known to be included in the project and any  
15 person whose property adjoins at any point any property to be included in the project shall  
16 be notified personally by mail. All notices must be mailed or posted at least two (2) weeks  
17 prior to the meeting.

18 (9) The merchant electric generating entity or a person acting on behalf of a merchant electric  
19 generating entity shall, on or before the date of the public meeting held under subsection  
20 (6) of this section, provide notice of all research, testing, or any other activities being  
21 planned or considered to:

- 22 (a) The Energy and Environment Cabinet;
- 23 (b) The Public Service Commission;
- 24 (c) The Transportation Cabinet;
- 25 (d) The Attorney General; and
- 26 (e) The Office of the Governor.

27 (10) Subsections (6) to (9) of this section shall not apply to any facility or project that has

1 already received a certificate of construction from the board.

2 ➔Section 57. 2026 RS HB 677/EN, Section 26, is amended to read as follows:

- 3 (1) Any person seeking to obtain a construction certificate from the board to construct a  
4 merchant electric generating facility shall file an application at the office of the Public  
5 Service Commission.
- 6 (2) A completed application shall include the following:
- 7 (a) The name, address, and telephone number of the person proposing to construct and  
8 own the merchant electric generating facility;
- 9 (b) A full description of the proposed site, including a map showing the distance of the  
10 proposed site from residential neighborhoods, the nearest residential structures,  
11 schools, and public and private parks that are located within a two (2) mile radius of  
12 the proposed facility;
- 13 (c) Evidence of public notice that shall include the location of the proposed site and a  
14 general description of the project, state that the proposed construction is subject to  
15 approval by the board, and provide the telephone number and address of the Public  
16 Service Commission. Public notice shall be given within thirty (30) days immediately  
17 preceding the application filing to:
- 18 1. Landowners whose property borders the proposed site; and  
19 2. The general public in a newspaper of general circulation in the county or  
20 municipality in which the facility is proposed to be located;
- 21 (d) A statement certifying that the proposed plant will be in compliance with all local  
22 ordinances and regulations concerning noise control and with any local planning and  
23 zoning ordinances. The statement shall also disclose setback requirements established  
24 by the planning and zoning commission as provided under KRS 278.704(3);
- 25 (e) If the facility is not proposed to be located on a site of a former coal processing plant  
26 and the facility will use on-site waste coal as a fuel source or in an area where a  
27 planning and zoning commission has established a setback requirement pursuant to

1 KRS 278.704(3), a statement that the exhaust stack of the proposed facility and any  
2 wind turbine is at least one thousand (1,000) feet from the property boundary of any  
3 adjoining property owner and all proposed structures or facilities used in connection  
4 with the generation or storage of electricity are two thousand (2,000) feet from any  
5 residential neighborhood, school, hospital, or nursing home facility, unless coal or  
6 gas-fired generating facilities capable of generating ten megawatts (10MW) or more  
7 currently exist on the site. If the facility is proposed to be located on a site of a former  
8 coal processing plant and the facility will use on-site waste coal as a fuel source, a  
9 statement that the proposed site is compatible with the setback requirements provided  
10 under KRS 278.704(5). If the facility is proposed to be located in a jurisdiction that  
11 has established setback requirements pursuant to KRS 278.704(3), a statement that  
12 the proposed site is in compliance with those established setback requirements;

13 (f) A complete report of the applicant's public involvement program activities  
14 undertaken prior to the filing of the application, including:

- 15 1. The scheduling and conducting of a public meeting in the county or counties in  
16 which the proposed facility will be constructed at least ninety (90) days prior to  
17 the filing of an application, for the purpose of informing the public of the  
18 project being considered and receiving comment on it;
- 19 2. Evidence that notice of the time, subject, and location of the meeting was  
20 published in the newspaper of general circulation in the county, and that  
21 individual notice was mailed to all owners of property adjoining the proposed  
22 project at least two (2) weeks prior to the meeting; and
- 23 3. Any use of media coverage, direct mailing, fliers, newsletters, additional public  
24 meetings, establishment of a community advisory group, and any other efforts  
25 to obtain local involvement in the siting process;

26 (g) A summary of the efforts made by the applicant to locate the proposed facility on a  
27 site where existing electric generating facilities are located;

- 1 (h) Proof of service of a copy of the application upon the chief executive officer of each  
2 county and municipal corporation in which the proposed facility is to be located, and  
3 upon the chief officer of each public agency charged with the duty of planning land  
4 use in the jurisdiction in which the facility is proposed to be located;
- 5 (i) An analysis of the proposed facility's projected effect on the electricity transmission  
6 system in Kentucky;
- 7 (j) An analysis of the proposed facility's economic impact on the affected region and the  
8 state;
- 9 (k) A detailed listing of all violations by it, or any person with an ownership interest, of  
10 federal or state environmental laws, rules, or administrative regulations, whether  
11 judicial or administrative, where violations have resulted in criminal convictions or  
12 civil or administrative fines exceeding five thousand dollars (\$5,000). The status of  
13 any pending action, whether judicial or administrative, shall also be submitted;
- 14 (l) A site assessment report as specified in KRS 278.708. The applicant may submit and  
15 the board may accept documentation of compliance with the National Environmental  
16 Policy Act (NEPA) rather than a site assessment report;~~and~~
- 17 (m) A decommissioning plan that shall describe how the merchant electric generating  
18 facility will be decommissioned and dismantled following the end of its useful life.  
19 The decommissioning plan shall, at a minimum, include plans to:
- 20 1. Unless otherwise requested by the current landowner at the time of  
21 decommissioning, remove all above-ground facilities;
- 22 2. Unless otherwise requested by the current landowner at the time of  
23 decommissioning, remove any underground components and foundations of  
24 above-ground facilities. Facilities removed under this subparagraph shall be  
25 removed in their entirety, unless the current landowner and the applicant  
26 otherwise agree at the time of decommissioning to a different depth;
- 27 3. Return the land to a substantially similar state~~with the same or similar soil~~

- 1           ~~quality~~] as it was prior to the commencement of construction;
- 2           4. Unless otherwise requested by the current landowner at the time of
- 3           decommissioning, leave any interconnection or other facilities in place for
- 4           future use at the completion of the decommissioning process;
- 5           5. Secure a bond or other similar security for the project to assure financial
- 6           performance of the decommissioning obligation, provided that:
- 7           a. The amount of the proposed bond or similar security shall be determined
- 8           by an independent, licensed engineer who is experienced in the
- 9           decommissioning ~~[the type]~~ of solar electric generating facilities~~[facility~~
- 10           ~~to be decommissioned]~~ and has no financial interest in either the merchant
- 11           electric generating facility or any parcel of land upon which the merchant
- 12           electric generating facility is located. The proposed amount of the bond or
- 13           similar security shall be either~~[the greater of]~~:
- 14           i. The net present value of the total estimated cost of completing the
- 15           decommissioning plan; or
- 16           ii. The bond amount required by a county or municipal government
- 17           that has established a decommissioning bond requirement or similar
- 18           security obligation in the county or municipality where the merchant
- 19           electric generating facility will be located. If the facility will be
- 20           located in more than one (1) county or municipality that has
- 21           established a decommissioning bond or similar security obligation,
- 22           then the higher amount shall be required for the facility;
- 23           b. The bond or other similar security names:
- 24           i. For property that is leased by the applicant, each landowner from
- 25           whom the applicant leases land and the Energy and Environment
- 26           Cabinet as the primary co-beneficiaries; or
- 27           ii. For property that is owned by the applicant, the Energy and

1 Environment Cabinet as the primary beneficiary;

2 c. If the merchant electric generating facility is to be located in a county or  
3 municipality that has not established a decommissioning bond or other  
4 similar security obligation, the bond or other similar security shall name  
5 the county or municipality as a secondary beneficiary with the county's or  
6 municipality's consent;

7 d. The bond or other similar security shall be provided by an insurance  
8 company or surety that shall at all times maintain at least an "Excellent"  
9 rating as measured by the AM Best rating agency or an investment grade  
10 credit rating by any national credit rating agency and, if available, shall be  
11 noncancelable by the provider or the customer until completion of the  
12 decommissioning plan or until a replacement bond is secured; and

13 e. The bond or other similar security shall provide that at least thirty (30)  
14 days prior to its cancellation or lapse, the surety shall notify the applicant,  
15 its successor or assign, each landowner, the Energy and Environment  
16 Cabinet, and each county or city in which the facility is located of the  
17 impending cancellation or lapse. The notice shall specify the reason for  
18 the cancellation or lapse and provide any of the parties, either jointly or  
19 separately, the opportunity to cure the cancellation or lapse prior to it  
20 becoming effective. The applicant, its successor, or its assign, shall be  
21 responsible for all costs incurred by all parties to cure the cancellation or  
22 lapse of the bond. Each landowner, or the Energy and Environment  
23 Cabinet with the prior approval of each landowner, may make a demand  
24 on the bond and initiate and complete the decommissioning plan;

25 6. Communicate with each affected landowner at the end of the merchant electric  
26 generating facility's useful life so that any requests of the landowner that are in  
27 addition to the minimum requirements set forth in this paragraph and in addition

- 1 to any other requirements specified in the lease with the landowner may, in the  
2 sole discretion of the applicant or its successor or assign, be accommodated;  
3 and
- 4 7. Incorporate the requirements of subparagraphs 1. to 6. of this paragraph into the  
5 applicant's leases with landowners; and
- 6 (n) For applications for the construction of wind power facilities, a statement certifying  
7 that:
- 8 1. Any wind turbine will not be artificially lighted except as required by law;  
9 2. Wind power facilities will be sited in a manner that minimizes shadowing or  
10 flicker impacts; and  
11 3. Any shadowing or flicker impacts will not have a significant adverse impact on  
12 neighboring or adjacent property uses through siting or mitigation.
- 13 (3) (a) The entity causing the decommissioning plan required under subsection (2)(m) of this  
14 section to be carried out shall be entitled to the proceeds from the sale of any  
15 salvaged materials or components of the merchant electric generating facility  
16 recovered during the decommissioning process.
- 17 (b) Any proceeds that the Energy and Environment Cabinet recovers from the sale of  
18 salvaged materials or components in the course of carrying out a decommissioning  
19 plan under subsection (2)(m) of this section that, taken with the decommissioning  
20 bond amounts that have been drawn upon, exceed the cost of completing the  
21 decommissioning plan shall be deposited in the merchant electric generating facility  
22 monitoring and enforcement fund established in KRS 224.10-285.
- 23 (4) Application fees for a construction certificate shall be set by the board and deposited into a  
24 trust and agency account to the credit of the commission.
- 25 (5) Replacement of a merchant electric generating facility with a like facility, or the repair,  
26 modification, retrofitting, enhancement, or reconfiguration of a merchant electric  
27 generating facility shall not, for the purposes of this section and KRS 224.10-280, 278.704,

1 278.708, 278.710, and 278.712, constitute construction of a merchant electric generating  
2 facility.

- 3 (6) The board shall promulgate administrative regulations prescribing fees to pay expenses  
4 associated with its review of applications filed with it pursuant to KRS 278.700 to 278.716.  
5 All application fees collected by the board shall be deposited in a trust and agency account  
6 to the credit of the Public Service Commission. If a majority of the members of the board  
7 find that an applicant's initial fees are insufficient to pay the board's expenses associated  
8 with the application, including the board's expenses associated with legal review thereof,  
9 the board shall assess a supplemental application fee to cover the additional expenses. An  
10 applicant's failure to pay a fee assessed pursuant to this subsection shall be grounds for  
11 denial of the application.

12 ➔Section 58. 2026 RS HB 757/VO, Section 9, is amended to read as follows:

- 13 (1) As used in this section:

14 (a) "Adjusted gross fantasy contest receipts" means the total sum of entry fees collected  
15 by a fantasy contest service provider from all fantasy contest participants entering a  
16 fantasy contest, less winnings paid to fantasy contest participants in the contest;

17 (b) "Athlete":

18 1. Means a professional or amateur competitor in a real-world lawful sporting  
19 event or an organized video game competition that is:

20 a. Regulated by a sports governing body; and

21 b. Held between players who play individually or as a team; and

22 2. Includes equine competitors;

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

24 (d) "Fantasy contest":

25 1. Means any online fantasy or simulated game or contest that meets the following  
26 conditions:

27 a. There are no fewer than two (2) fantasy contest participants;

- 1 i. All fantasy contest participants are natural persons; and
- 2 ii. A fantasy contest service provider shall not be construed to be a
- 3 participant;
- 4 b. i. The values of all prizes offered to winning fantasy contest
- 5 participants are established and made known to fantasy contest
- 6 participants in advance of the contest;
- 7 ii. Multiple winning participants may share a prize; and
- 8 iii. Prizes may consist of fixed amounts, tiered payouts, or other
- 9 conditional bonus payouts, provided that all prize structures are
- 10 disclosed in advance by the fantasy contest service provider;
- 11 c. All winning outcomes reflect the relative knowledge and skill of the
- 12 fantasy contest participant and are determined predominantly by the
- 13 accumulated statistical performance or finishing position of multiple
- 14 athletes across one (1) or more real-world sporting events;
- 15 d. Fantasy contest participants assemble a fictional entry or roster of actual
- 16 athletes and exercise management or selection control over the roster;
- 17 e. Fantasy contest participants compete for prizes awarded by a fantasy
- 18 contest service provider based on terms and conditions published by the
- 19 fantasy contest service provider and made known to the fantasy contest
- 20 participant in advance of the contest;
- 21 f. Winning outcomes are determined by clearly established scoring criteria
- 22 based on one (1) or more statistical results of the performance of an
- 23 individual athlete, including but not limited to a fantasy score;
- 24 g. A winning outcome is not based:
- 25 i. On the score, point spread, or outcome of a single real-world team
- 26 or combination of teams; or
- 27 ii. Solely on any single performance of an individual athlete or

- 1 participant in any single actual event; and
- 2 h. The game or contest does not violate any provision of federal law;
- 3 2. Includes contests in which fantasy contest participants compete against each  
4 other; and
- 5 3. Does not include any fantasy contest:
- 6 a. Without a fantasy contest entry fee; or
- 7 b. Betting against the fantasy contest service provider;
- 8 (e) "Fantasy contest entry fee" means the cash or cash equivalent that is required to be  
9 paid by a fantasy contest participant in advance to a fantasy contest service provider  
10 in order to participate in a fantasy contest;
- 11 (f) "Fantasy contest participant" means a person who is twenty-one (21) years of age or  
12 older who is:
- 13 1. Kentucky resident who participates in a fantasy contest offered by a fantasy  
14 contest service provider; and
- 15 2. Not a Kentucky resident who participates in a fantasy contest offered by a  
16 fantasy contest service provider while in Kentucky; and
- 17 (g) "Fantasy contest service provider":
- 18 1. Means a person or entity that offers fantasy contests to the general public; and
- 19 2. Does not include an internet service provider or a provider of mobile data  
20 services merely as a result of that provider's transporting of general traffic that  
21 may include a fantasy contest.
- 22 (2) Beginning on January 1, 2027, the Commonwealth shall impose and collect a tax at a rate  
23 of twelve percent (12%) of the fantasy contest service provider's adjusted gross fantasy  
24 contest receipts. The accrual method of accounting shall be used for purposes of calculating  
25 the amount of tax owed by the licensee.
- 26 (3) The tax imposed by subsection (2) of this section is due and payable monthly and shall be  
27 remitted to the department on or before the twentieth day of the next succeeding calendar

1 month.

2 (4) The fantasy contest service provider's payment shall be accompanied by a return prescribed  
3 by the department indicating the amount of tax due for the previous calendar month as well  
4 as any other information the department shall require through an administrative regulation  
5 promulgated in accordance with KRS Chapter 13A.

6 (5) Any fantasy contest service provider who violates any provision of this section shall be  
7 subject to the uniform civil penalties imposed under KRS 131.180.

8 (6) In every case, any tax not paid on or before the due date shall bear interest at the tax  
9 interest rate as defined in KRS 131.010 from the due date until the date of payment.

10 ~~[(7) It is the purpose and intent of the General Assembly to levy taxes on persons engaged in  
11 the operations of fantasy contests. It is not the intent of the General Assembly to legalize  
12 these activities.]~~

13 ➔Section 59. 2026 RS HB 757/VO, Section 71, is amended to read as follows:

14 (1) As used in this section:

15 (a) "Consumer" means a:

- 16 1. Kentucky resident who purchases an event contract through a prediction  
17 market; or  
18 2. Person who is not a Kentucky resident who purchases an event contract through  
19 a prediction market while in Kentucky;

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

21 (c) "Event contract":

- 22 1. Means an agreement, contract, transaction, or swap in an excluded commodity  
23 based on the occurrence, extent of an occurrence, or contingency other than a  
24 change in the price, rate, value, or levels of a commodity described in 7 U.S.C.  
25 sec. 1a(19)(i), as amended; and

26 2. Does not include:

- 27 a. Any contract of sale of a commodity for future delivery, or any option on

- 1                   such a contract, executed on or subject to the rules of a designated  
2                   contract market; or
- 3           b. Any swap or derivative based on:
- 4               i. An agricultural commodity;
- 5               ii. An exempt commodity; or
- 6               iii. Any excluded commodity not subject to subparagraph 1. of this  
7               paragraph, as the terms are defined in the Commodity Exchange  
8               Act;
- 9       (d) "Person" has the same meaning as in KRS 139.010;
- 10       (e) "Prediction market":
- 11           1. Means:
- 12               a. Any physical or electronic platform through which a consumer may buy,  
13               sell, or exchange event contracts, whether the market is located in or out  
14               of the state; or
- 15               b. Any platform or system that provides consumers with the ability to open  
16               speculative positions on the outcomes of future events; and
- 17           2. May be a board of trade designated as a contract market by the Commodity  
18           Futures Trading Commission;
- 19       (f) "Prediction market operator":
- 20           1. Means a board of trade or other person, including any affiliate of the person,  
21           that operates a prediction market; and
- 22           2. Includes but is not limited to a person that satisfies the requirements of this  
23           subsection through the ownership, operation, or control of a digital distribution  
24           service, digital distribution platform, online portal, or application store where a  
25           prediction market may be accessed;
- 26       (g) "Speculative position" means a financial commitment made by a consumer in a  
27       prediction market; and

1 (h) "Transaction fee" means:

2 1. The fee charged by the prediction market operator to complete a sale, purchase,  
3 or trade of an event contract to a consumer; and

4 2. The amount paid by a consumer to purchase an event contract from a prediction  
5 market operator.

6 (2) On and after January 1, 2027, an excise tax is hereby imposed on a prediction market  
7 operator at the rate of fourteen and one-quarter percent (14.25%) of the prediction market  
8 operator's transaction fees. The accrual method of accounting shall be used for purposes of  
9 calculating the amount of tax owed by the prediction market operator under this subsection.

10 (3) The tax imposed by subsection (2) of this section is due and payable monthly and shall be  
11 remitted to the department on or before the twentieth day of the next succeeding calendar  
12 month.

13 (4) The prediction market operator's payment shall be accompanied by a return prescribed by  
14 the department indicating the amount of tax due for the previous calendar month as well as  
15 any other information the department shall require through an administrative regulation  
16 promulgated in accordance with KRS Chapter 13A.

17 (5) Any prediction market operator who violates any provision of this section shall be subject  
18 to the uniform civil penalties imposed under KRS 131.180.

19 (6) In every case, any tax not paid on or before the due date shall bear interest at the tax  
20 interest rate as defined in KRS 131.010 from the due date until the date of payment.

21 ~~[(7) It is the purpose and intent of the General Assembly to levy taxes on persons engaged in  
22 the operations of a prediction market. It is not the intent of the General Assembly to  
23 legalize these activities.]~~

24 ➔Section 60. 2026 RS HB 757/VO, Section 97, is amended to read as follows:

25 As used in KRS 138.210 to 138.448, unless the context requires otherwise:

26 (1) "Accountable loss" means loss or destruction of "received" gasoline or special fuel through  
27 wrecking of transportation conveyance, explosion, fire, flood or other casualty loss, or

1 contaminated and returned to storage. The loss shall be reported within thirty (30) days  
2 after discovery of the loss to the department in a manner and form prescribed by the  
3 department, supported by proper evidence which in the sole judgment of the department  
4 substantiates the alleged loss or contamination and which is confirmed in writing to the  
5 reporting dealer by the department. The department may make any investigation deemed  
6 necessary to establish the bona fide claim of the loss;

7 (2) "Agricultural purposes" means purposes directly related to the production of agricultural  
8 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 year, as  
10 determined by the department, based upon surveys taken during the first month of each  
11 quarter of the fiscal year;

12 (4) "Average wholesale price" means the weighted average per gallon wholesale price of  
13 gasoline, based on the quarterly survey value as determined by the department, and as  
14 adjusted by KRS 138.228;

15 (5) "Bulk storage facility" means gasoline or special fuels storage facilities of not less than  
16 twenty thousand (20,000) gallons owned or operated at one (1) location by a single owner  
17 or operator for the purpose of storing gasoline or special fuels for resale or delivery to retail  
18 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, manufacturing,  
22 blending, or compounding gasoline or special fuels in this state;

23 (b) Regularly importing gasoline or special fuel, upon which no tax has been paid, into  
24 this state for distribution in bulk to others;

25 (c) Distributing gasoline from bulk storage in this state;

26 (d) Regularly engaged in the business of distributing gasoline or special fuels from bulk  
27 storage facilities primarily to others in arm's-length transactions;

- 1 (e) In the case of gasoline, receiving or accepting delivery within this state of gasoline  
2 for resale within this state in amounts of not less than an average of one hundred  
3 thousand (100,000) gallons per month during any prior consecutive twelve (12)  
4 months' period, when in the opinion of the department, the person has sufficient  
5 financial rating and reputation to justify the conclusion that he or she will pay all  
6 taxes and comply with all other obligations imposed upon a dealer; or
- 7 (f) Regularly exporting gasoline or special fuels;
- 8 (8) "Department" means the Department of Revenue;
- 9 (9) "Diesel fuel":
- 10 (a) Means any liquid other than gasoline that, without further processing or blending, is  
11 suitable for use as a fuel in a diesel powered highway vehicle; and
- 12 (b) Does not include unblended kerosene, No. 5 and No. 6 fuel oils as described in  
13 ASTM specification D 396, or F-76 Fuel Naval Distillate MILL-F-166884;
- 14 (10) "Dyed diesel fuel" means diesel fuel that is required to be dyed under United States  
15 Environmental Protection Agency rules for high sulfur diesel fuel, or is dyed under the  
16 Internal Revenue Service rules for low sulfur fuel, or pursuant to any other requirements  
17 subsequently set by the United States Environmental Protection Agency or the Internal  
18 Revenue Service;
- 19 (11) "Ethanol" has the same meaning as in KRS 141.422;
- 20 (12) "Ethanol flex fuel" means an ethanol fuel blend of ethanol and gasoline that meets the  
21 current ASTM specification D5798;
- 22 (13) "Financial instrument" means a bond issued by a corporation authorized to do business in  
23 Kentucky, a line of credit, or an account with a financial institution maintaining a  
24 compensating balance;
- 25 (14) "Fuel grade ethanol" includes ethanol, cellulosic ethanol, and ethanol flex fuel;
- 26 (15) "Gasoline":
- 27 (a) Means all liquid fuels, including liquids ordinarily, practically, and commercially

1 usable in internal combustion engines for the generation of power, and all distillates  
2 of and condensates from petroleum, natural gas, coal, coal tar, vegetable ferments,  
3 and all other products so usable which are produced, blended, or compounded for the  
4 purpose of operating motor vehicles, showing a flash point of one hundred ten (110)  
5 degrees Fahrenheit or below, using the Elliott Closed Cup Test, or when tested in a  
6 manner approved by the United States Bureau of Mines, are prima facie  
7 commercially usable in internal combustion engines;

8 (b) Includes:

9 1. Casing head, absorption, natural gasoline, ~~[fuel grade ethanol,]~~ and condensates  
10 when used without blending as a motor fuel, sold for use in motors direct, or  
11 sold to those who blend for their own use; and ~~[,]~~

12 2. *Fuel grade ethanol; and*

13 (c) Does not include propane, butane, or other liquefied petroleum gases; kerosene;  
14 cleaner solvent; fuel oil; diesel fuel; crude oil; or casing head, absorption, natural  
15 gasoline, ~~[fuel grade ethanol,]~~ and condensates when sold to be blended or  
16 compounded with other less volatile liquids in the manufacture of commercial  
17 gasoline for motor fuel; industrial naphthas; rubber solvents; Stoddard solvent;  
18 mineral spirits; VM and P naphthas; turpentine substitutes; pentane; hexane; heptane;  
19 octane; benzene; benzine; xylol; toluol; aromatic petroleum solvents; alcohol; and  
20 liquefied gases which would not exist as liquids at a temperature of sixty (60) degrees  
21 Fahrenheit and a pressure of fourteen and seven tenths (14.7) pounds per square inch  
22 absolute, unless the products are used wholly or in combination with gasoline as a  
23 motor fuel;

24 (16) "Motor vehicle" means any vehicle, machine, or mechanical contrivance propelled by an  
25 internal combustion engine and licensed for operation and operated upon the public  
26 highways and any trailer or semitrailer attached to or having its front end supported by the  
27 motor vehicles;

- 1 (17) "Public highways" means every way or place generally open to the use of the public as a  
2 matter or right for the purpose of vehicular travel, notwithstanding that they may be  
3 temporarily closed or travel thereon restricted for the purpose of construction, maintenance,  
4 repair, or reconstruction;
- 5 (18) "Quarterly survey value":
- 6 (a) Means a value determined by the department for each calendar quarter of the  
7 weighted average per gallon wholesale price of gasoline, determined from  
8 information available through independent statistical surveys of gasoline prices or, if  
9 requested, from information furnished by licensed gasoline dealers. The department  
10 shall determine, within twenty (20) days following the end of the first month of each  
11 calendar quarter, the weighted average of per gallon wholesale selling prices of  
12 gasoline for the previous month. That value shall be the quarterly survey value for the  
13 beginning of the following calendar quarter; and
- 14 (b) Shall be determined exclusive of any federal gasoline tax and any fee on imported oil  
15 imposed by the Congress of the United States;
- 16 (19) "Received," "received gasoline," or "received special fuels" means:
- 17 (a) 1. Gasoline and special fuels produced, manufactured, or compounded at any  
18 refinery in this state or acquired by any dealer and delivered into or stored in  
19 refinery, marine, or pipeline terminal storage facilities in this state shall be  
20 deemed to be received when it has been loaded for bulk delivery into tank cars  
21 or tank trucks consigned to destinations within this state.
- 22 2. For the purpose of the proper administration of this chapter and to prevent the  
23 evasion of the tax and to enforce the duty of the dealer to collect the tax, it shall  
24 be presumed that all gasoline and special fuel loaded by any licensed dealer  
25 within this state into tank cars or tank trucks is consigned to destinations within  
26 this state, unless the contrary is established by the dealer, pursuant to  
27 administrative regulations prescribed by the department; and

- 1           (b) 1. Gasoline and special fuels acquired by any dealer in this state, and not delivered  
2                   into refinery, marine, or pipeline terminal storage facilities, shall be deemed to  
3                   be received when it has been placed into storage tanks or other containers for  
4                   use or subject to withdrawal for use, delivery, sale, or other distribution.
- 5           2. Dealers may sell gasoline or special fuels to licensed bonded dealers in this  
6                   state in transport truckload, carload, or cargo lots, withdrawing it from refinery,  
7                   marine, pipeline terminal, or bulk storage tanks, without paying the tax. In these  
8                   instances, the licensed bonded dealer purchasing the gasoline or special fuels  
9                   shall be deemed to have received that fuel at the time of withdrawal from the  
10                  seller's storage facility and shall be responsible to the state for the payment of  
11                  the tax thereon;
- 12 (20) "Refinery" means any place where gasoline or special fuel is refined, manufactured,  
13           compounded, or otherwise prepared for use;
- 14 (21) "Retail filling station" means any place accessible to general public vehicular traffic where  
15           gasoline or special fuel is or may be placed into the fuel supply tank of a licensed motor  
16           vehicle;
- 17 (22) "Special fuels" means and includes all combustible gases and liquids capable of being used  
18           for the generation of power in an internal combustion engine to propel vehicles of any kind  
19           upon the public highways, including diesel fuel, and dyed diesel fuel used exclusively for  
20           nonhighway purposes in off-highway equipment and in nonlicensed motor vehicles, except  
21           that it does not include gasoline, aviation jet fuel, kerosene unless used wholly or in  
22           combination with special fuel as a motor fuel, or liquefied petroleum gas as defined in KRS  
23           234.100;
- 24 (23) "Storage" means all gasoline and special fuels produced, refined, distilled, manufactured,  
25           blended, or compounded and stored at a refinery storage or delivered by boat at a marine  
26           terminal for storage, or delivered by pipeline at a pipeline terminal, delivery station, or tank  
27           farm for storage;

1 (24) "Transporter" means any person who transports gasoline or special fuels on which the tax  
2 has not been paid or assumed; and

3 (25) "Wholesale floor price" means two dollars and seventeen and seven-tenths cents (\$2.177)  
4 per gallon.

5 ➔Section 61. The Kentucky Cabinet for Economic Development is directed to:

6 (1) Report on the current tax credits and incentives eligible in Kentucky to hyperscale  
7 data centers, and data centers. The report shall also include tax credits and incentives in  
8 Kentucky's surrounding states relating to hyperscale data centers, and data centers; and

9 (2) Present the report required in subsection (1) of this section, including any  
10 recommendations, to the Legislative Research Commission for referral to the Interim Joint  
11 Committee on Appropriations and Revenue and the Interim Joint Committee on Economic  
12 Development and Workforce Investment by August 1, 2027.

13 ➔Section 62. 26 RS SB 343/GA, Section 1, is amended to read as follows:

14 (1) There is hereby created the Department of Workers' Claims administratively attached to the  
15 Office of the Governor, which shall be headed by a commissioner appointed by the  
16 Governor and confirmed by the Senate in accordance with Section 6 of this Act.

17 (2) The department shall be divided for administrative purposes into the:

18 (a) Office of the Commissioner;

19 (b) Office of General Counsel;

20 (c) Office of Administrative Law Judges;

21 (d) Division of Claims Processing;

22 (e) Division of Security and Compliance;

23 (f) Division of Workers' Compensation Funds; and

24 (g) Division of Specialist and Medical Services.

25 (3) The Office of Administrative Law Judges shall be headed by a chief administrative law  
26 judge appointed in accordance with Section 7 of this Act.

27 (4) Each division in the department shall be headed by a director ~~appointed by the~~

1 ~~commissioner with the approval of the Governor in accordance with KRS 12.050}.~~

2 (5) The Workers' Compensation Board shall be attached to the Department of Workers' Claims  
3 for administrative purposes only.

4 ➔Section 63. Notwithstanding any other provision of law to the contrary:

5 (1) The Department of Workers' Claims shall retain all classified and unclassified  
6 positions and employees that the Department of Workers' Claims had 14 days prior to the  
7 transfer from the Education and Labor Cabinet to the Office of the Governor in accordance with  
8 26 RS SB 343/GA, and each employee shall retain his or her position until the Department of  
9 Workers' Claims creates any new positions or abolishes any existing position; and

10 (2) No employee shall suffer any penalty in the transfer from the Education and Labor  
11 Cabinet to the Office of the Governor in accordance with 26 RS SB 343/GA.

12 ➔Section 64. 2026 RS HB 757/VO, Section 136, is amended to read as follows:

13 Sections 9, 10, 71, 72, 107, ~~to 115~~ and 117 of this Act take effect January 1, 2027.

14 ➔Section 65. 2026 RS HB 757/VO, Section 139, is amended to read as follows:

15 **Sections 114 and 115**~~[Section 128]~~ of this Act shall take effect on July 1, ~~2027~~~~[2026]~~.

16 ➔Section 66. 2026 RS HB 757/VO, Section 140 is amended to read as follows:

17 Whereas funding the operations of state government is an essential part of the  
18 Commonwealth's budget, an emergency is declared to exist, and **Section 128 of this Act takes**  
19 **effect July 1, 2026, and** Sections 18 to 21, 33 to 35, 57 to 70, 73 to 91, 108 to 113, 119, 127, and  
20 130 to 133 of this Act take effect upon passage and approval by the Governor or upon its  
21 otherwise becoming a law."; and

22 Renumber subsequent sections accordingly; and

23 On page 106, delete lines 6 through 9 in their entirety; and

24 Renumber subsequent sections accordingly; and

25 On page 106, after line 9, insert the following:

26 "➔Section 68. Sections 40 and 41 of this Act shall apply to estates of decedents who died  
27 on or after January 1, 2026.

1           ➔Section 69. Section 60 of this Act takes effect on August 1, 2026.

2           ➔Section 70. Section 53 of this Act takes effect on January 1, 2027.

3           ➔Section 71. Sections 30 to 34 of this Act take effect on July 1, 2027.

4           ➔Section 72. Subsection (5) of Section 44 of this Act shall apply retroactively to require  
5 a consolidated local government to only reimburse a fire district for emergency medical  
6 responses made on or after July 1, 2025. Subsection (5) of Section 44 of this Act shall also apply  
7 retroactively to any matters or litigation that have not been fully and finally adjudicated, or are in  
8 the appellate process, or for which time to file an appeal has not lapsed, as of the effective date  
9 of Section 44 of this Act.

10          ➔Section 73. Whereas it is critical to ensure a consolidated local government is not  
11 required to unnecessarily expend taxpayer funds, an emergency is declared to exist, and Section  
12 54 of this Act takes effect on July 1, 2026, and Sections 36, 44, 51, 64, 65, 66, and 71 of this Act  
13 take effect upon its passage and approval by the Governor or upon its otherwise becoming a  
14 law."; and

15          Amend the title to read "AN ACT relating to fiscal matters and declaring an emergency."  
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**Senate Members**

**House Members**

Christian McDaniel  
Christian McDaniel  
Cassie Chambers Armstrong  
Cassie Chambers Armstrong  
David Givens  
David Givens  
Robby Mills  
Robby Mills  
\_\_\_\_\_  
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Adam Bowling  
Adam Bowling  
Josh Bray  
Josh Bray  
Josh Branscum  
Josh Branscum  
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The above-named members, in separate votes by house, all concur in the provisions of this report.

DATE  
04/15/2026

For Clerk's Use:  
Adopted: \_\_\_\_\_  
Repassage Vote: \_\_\_\_\_