

1 AN ACT relating to the certified rehabilitation credit and declaring an emergency.

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

3 ➔Section 1. KRS 171.396 is amended to read as follows:

4 As used in this section and KRS 171.3961 and 171.397 **and Section 3 of this Act:**

5 (1) "Certified historic structure" means a structure that is located within the  
6 Commonwealth of Kentucky that is:

7 (a) Listed individually on the National Register of Historic Places; or

8 (b) Located in a historic district listed on the National Register of Historic Places  
9 and is certified by the council as contributing to the historic significance of  
10 the district;

11 (2) "Certified rehabilitation" means a completed substantial rehabilitation of a certified  
12 historic structure that the council certifies meets the United States Secretary of the  
13 Interior's Standards for Rehabilitation;

14 (3) "Certified rehabilitation credit cap" means an annual amount of ~~£~~:

15 ~~(a) Three million dollars (\$3,000,000) for applications received prior to April 30,~~  
16 ~~2010;~~

17 ~~(b) Five million dollars (\$5,000,000) for applications received on or after April~~  
18 ~~30, 2010, but before April 30, 2022; and~~

19 ~~(c) One hundred million dollars (\$100,000,000) for applications received on or after:~~

20 ~~(a)~~ (a) April 30, 2022, **but before April 30, 2026,** allocated with:

21 1. Twenty-five percent (25%) of the credit cap awarded to owner-occupied  
22 residential property; and

23 2. Seventy-five percent (75%) of the credit cap awarded to property other  
24 than owner-occupied residential property, which includes the major  
25 certified rehabilitation allowed under KRS 171.3963; **and**

26 **(b) April 30, 2026, in accordance with Section 3 of this Act, allocated with:**

27 **1. Fifteen percent (15%) of the credit cap awarded to owner-occupied**

1                                    residential property; and  
2                                    2. Eighty-five percent (85%) of the credit cap awarded to property other  
3                                    than owner-occupied residential property; including workforce  
4                                    housing property;

5                    plus any amounts~~[amount]~~ added to the certified rehabilitation credit cap pursuant  
6                    to KRS 171.397(2)(c) and Section 3 of this Act;

- 7                    (4) "Council" means the Kentucky Heritage Council;
- 8                    (5) "Disqualifying work" means work that is performed within three (3) years of the  
9                    completion of the certified rehabilitation that, if performed as part of the  
10                    rehabilitation certified under KRS 171.397 and Section 3 of this Act, would have  
11                    made the rehabilitation ineligible for certification;
- 12                    (6) "Exempt entity" means any tax exempt organization pursuant to sec. 501(c)(3) of  
13                    the Internal Revenue Code, any political subdivision of the Commonwealth, any  
14                    state or local agency, board, or commission, or any quasi-governmental entity;
- 15                    (7) "Local government" means a city, county, urban-county, charter county, or  
16                    consolidated local government;
- 17                    (8) "Owner-occupied residential property" means a building or portion thereof,  
18                    condominium, or cooperative occupied by the owner as his or her principal  
19                    residence;
- 20                    (9) "Qualified rehabilitation expense" means any amount that is properly chargeable to  
21                    a capital account, whether or not depreciation is allowed under Section 168 of the  
22                    Internal Revenue Code, and is expended at any time in connection with the certified  
23                    rehabilitation of a certified historic structure. It shall include the cost of restoring  
24                    landscaping and fencing that contributes to the historic significance of this  
25                    structure, but shall not include the cost of acquisition of a certified historic  
26                    structure, enlargement of or additions to an existing building, or the purchase of  
27                    personal property;

- 1 (10) "Substantial rehabilitation" means rehabilitation of a certified historic structure for  
2 which the qualified rehabilitation expenses, during a twenty-four (24) month period  
3 selected by the taxpayer or exempt entity, ending with or within the taxable year,  
4 exceed:
- 5 (a) Twenty thousand dollars (\$20,000) for an owner-occupied residential  
6 property; or
- 7 (b) For all other property, the greater of:
- 8 1. The adjusted basis of the structure; or
- 9 2. Twenty thousand dollars (\$20,000);
- 10 (11) "Taxpayer" means any individual, corporation, limited liability company, business  
11 development corporation, partnership, limited partnership, sole proprietorship,  
12 association, joint stock company, receivership, trust, professional service  
13 organization, or other legal entity through which business is conducted that:
- 14 (a) Elects to claim the credit on a return and receive a refund as provided in KRS  
15 171.397(2)(b)2.a. **or Section 3 of this Act**; or
- 16 (b) Is the recipient of a credit which is transferred as provided in KRS  
17 171.397(2)(b)2.b. **or Section 3 of this Act**; ~~and~~
- 18 (12) "Qualified purchased historic home" means any substantially rehabilitated certified  
19 historic structure if:
- 20 (a) The taxpayer claiming the credit authorized under KRS 171.397 **or Section 3**  
21 **of this Act** is the first purchaser of the structure after the date of completion of  
22 the substantial rehabilitation;
- 23 (b) The structure or a portion thereof will be the principal residence of the  
24 taxpayer; and
- 25 (c) No credit was allowed to the seller under this section.
- 26 A qualified purchased historic home shall be deemed owner-occupied residential  
27 property for purposes of this section; **and**

1 **(13) "Workforce housing" means a certified historic structure that for a minimum**  
 2 **period of five (5) years after the building is placed in service, has at least fifty**  
 3 **percent (50%) of the structure's square footage designated to residential space**  
 4 **that is:**

5 **(a) Available for lease, rent, or sale; and**

6 **(b) Affordable to individuals earning eighty percent (80%) of the county-level**  
 7 **area median income or less as determined by the United States Department**  
 8 **of Housing and Urban Development.**

9 ➔Section 2. KRS 171.397 is amended to read as follows:

10 (1) (a) For all applications for a preliminary approval received prior to April 30,  
 11 2010, there shall be allowed as a credit against the taxes imposed by KRS  
 12 141.020, 141.040, 141.0401, or 136.505, an amount equal to:

- 13 1. Thirty percent (30%) of the qualified rehabilitation expenses, in the case  
 14 of owner-occupied residential property; and
- 15 2. Twenty percent (20%) of the qualified rehabilitation expenses, in the  
 16 case of all other property.

17 In the case of an exempt entity that has incurred qualified rehabilitation  
 18 expenses, the credit provided in this subsection shall be available to transfer  
 19 or assign as provided under subsection (8) or (9) of this section.

20 (b) For applications for preliminary approval received on or after April 30, 2010,  
 21 the credit shall be refundable if the taxpayer makes an election under  
 22 subsection (2)(b) of this section.

23 (2) (a) A taxpayer seeking the credit provided under subsection (1) of this section  
 24 shall file an application for a preliminary determination of maximum credit  
 25 eligibility before April 30 of the year in which the proposed project will  
 26 begin. The application shall describe the project and shall include  
 27 documentation supporting the qualification of the project for the credit, the

1 proposed start date, the proposed completion date, the projected qualified  
2 rehabilitation expenses, and any other information the council may require.  
3 The council shall determine the preliminary maximum credit available for  
4 each taxpayer and shall notify the taxpayer of that amount by June 30 of the  
5 year in which the application was filed. If total credits applied for in any year  
6 exceed the certified rehabilitation credit cap, plus any amounts added to the  
7 cap pursuant to paragraph (c) of this subsection, the provisions of subsection  
8 (5) of this section shall be applied to reduce the approved credits for all  
9 taxpayers with qualifying applications for that year.

- 10 (b) 1. An application for a final determination of credit shall be submitted to  
11 the council upon completion of the project.
- 12 2. The application shall include an irrevocable election by the taxpayer to:  
13 a. Use the credit, in which case, the credit shall be refundable; or  
14 b. Transfer the credit.
- 15 3. The council shall determine the final amount of credit approved for each  
16 taxpayer based upon the actual expenditures, preliminary determination  
17 of maximum credit, and a determination that the expenditures are  
18 qualified rehabilitation expenses.
- 19 4. The council shall notify the taxpayer and Department of Revenue of the  
20 final approved credit amount within sixty (60) days of the receipt of a  
21 completed application from the taxpayer.
- 22 (c) 1. If the total amount of credits finally approved for a taxpayer under  
23 paragraph (b) of this subsection are less than the credits initially  
24 approved for a taxpayer under paragraph (a) of this subsection, the  
25 difference between the two (2) amounts shall be added to the certified  
26 rehabilitation credit cap for the next calendar year.
- 27 2. If the total amount of credits approved under paragraph (a) of this

1 subsection in any calendar year is less than the certified rehabilitation  
2 credit cap, the difference between the credits actually awarded and the  
3 certified rehabilitation credit cap shall be added to the certified  
4 rehabilitation credit cap for the next calendar year.

5 (3) (a) The maximum credit which may be claimed with regard to owner-occupied  
6 residential property shall be one hundred twenty thousand dollars (\$120,000)  
7 subject to subsection (5) of this section. The credit in this section shall be  
8 claimed for the taxable year in which the certified rehabilitation is completed.

9 (b) The maximum credit which may be claimed with regard to all other property  
10 that is not owner-occupied residential shall be ten million dollars  
11 (\$10,000,000) subject to subsection (5) of this section. The credit in this  
12 section shall be claimed for the taxable year in which the certified  
13 rehabilitation is completed.

14 (4) In the case of a husband and wife filing separate returns or filing separately on a  
15 joint return, the credit may be taken by either or divided equally, but the combined  
16 credit shall not exceed one hundred twenty thousand dollars (\$120,000) if subject to  
17 the limitation in subsection (3)(a) of this section, or ten million dollars  
18 (\$10,000,000) if subject to the limitation in subsection (3)(b) of this section, subject  
19 to the provisions of subsection (5) of this section.

20 (5) The credit amount approved for a calendar year for all taxpayers under subsection  
21 (2)(a) of this section shall be limited to the certified rehabilitation credit cap. When  
22 the total credits applied for and approved in any year under subsection (2)(a) of this  
23 section exceed the certified rehabilitation credit cap, the council shall apportion the  
24 certified rehabilitation credit cap as follows: The certified rehabilitation credit cap  
25 for the year under consideration shall be multiplied by a fraction, the numerator  
26 which is the approved credit amount for an individual taxpayer for a calendar year  
27 and the denominator which is the total approved credits for all taxpayers for a

1 calendar year.

2 (6) (a) For all applications received prior to April 30, 2010, if the credit amount that  
3 may be claimed in any tax year as determined under subsections (3) to (5) of  
4 this section exceeds the taxpayer's total tax liabilities under KRS 136.505,  
5 141.020, or 141.040 and 141.0401, the taxpayer may carry the excess tax  
6 credit forward until the tax credit is used, provided that any tax credits not  
7 used within seven (7) years of the taxable year the certified rehabilitation was  
8 complete shall be lost.

9 (b) For all applications received on or after April 30, 2010, if the credit amount  
10 that may be claimed in any tax year as determined under subsections (3) to (5)  
11 of this section exceeds the taxpayer's total tax liabilities under KRS 136.505,  
12 141.020, or 141.040 and 141.0401, the taxpayer may receive a refund, if the  
13 taxpayer elected to take the credit as required by subsection (2)(b) of this  
14 section.

15 (7) (a) The credit shall apply against both the tax imposed by KRS 141.020 or  
16 141.040 and the limited liability entity tax imposed by KRS 141.0401, with  
17 the ordering of credits as provided in KRS 141.0205.

18 (b) 1. For applications received prior to April 30, 2010, if the taxpayer is a  
19 pass-through entity not subject to the tax imposed by KRS 141.040, the  
20 taxpayer shall apply the credit at the entity level against the limited  
21 liability tax entity imposed by KRS 141.0401, and shall also pass the  
22 credit through in the same proportion as the distributive share of income  
23 or loss is passed through.

24 2. For applications received on or after April 30, 2010, if the taxpayer is a  
25 pass-through entity not subject to the tax imposed by KRS 141.040, the  
26 taxpayer shall apply the credit at the entity level against the limited  
27 liability tax entity imposed by KRS 141.0401, and may receive a refund

1 if the taxpayer elected to take the credit as required by subsection  
2 (2)(b)2.a. of this section.

- 3 (8) Credits received under this section may be transferred or assigned if an election is  
4 made under subsection (2)(b) of this section, for some or no consideration, along  
5 with any related benefits, rights, responsibilities, and liabilities to a financial  
6 institution as defined in KRS 141.010 subject to the taxes imposed by KRS  
7 136.505, 141.040, or 141.0401. Within thirty (30) days of the date of any transfer of  
8 credits, the party transferring the credits shall notify the Department of Revenue of:
- 9 (a) The name, address, employer identification number, and bank routing and  
10 transfer number, of the party to which the credits are transferred;
  - 11 (b) The amount of credits transferred; and
  - 12 (c) Any additional information the Department of Revenue deems necessary.

13 The provisions of this subsection shall apply to any credits that pass through to a  
14 successor or beneficiary of a taxpayer.

- 15 (9) For purposes of this section, a lessee of a certified historic structure shall be treated  
16 as the owner of the structure if the remaining term of the lease is not less than the  
17 minimum period promulgated by administrative regulation by the council.

- 18 (10) The taxes imposed in KRS 141.020, 141.040, and 141.0401 shall not apply to any  
19 consideration received for the transfer, sale, assignment, or use of a tax credit  
20 approved under this section.

- 21 (11) The Department of Revenue shall assess a penalty on any taxpayer or exempt entity  
22 that performs disqualifying work, as determined by the Kentucky Heritage Council,  
23 on a certified historic structure for which a rehabilitation has been certified under  
24 this section in an amount equal to one hundred percent (100%) of the tax credit  
25 allowed on the rehabilitation. Any penalties shall be assessed against the property  
26 owner who performs the disqualifying work and not against any transferee of the  
27 credits.

- 1 (12) The council may impose fees for processing applications for tax credits, not to  
2 exceed the actual cost associated with processing the applications.
- 3 (13) The council may authorize a local government to perform an initial review of  
4 applications for the credit allowed under this section and forward the applications to  
5 the council with its recommendations.
- 6 (14) The council and the Department of Revenue may promulgate administrative  
7 regulations in accordance with the provisions of KRS Chapter 13A to establish  
8 policies and procedures to implement the provisions of subsections (1) to (13) of  
9 this section.
- 10 (15) The tax credit authorized by this section shall apply to tax periods ending on or  
11 after December 31, 2005.

12 **(16) This section applies to applications received before April 30, 2026.**

13 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 171 IS CREATED TO  
14 READ AS FOLLOWS:

15 **(1) (a) There is available a certified rehabilitation credit for taxpayers who incur**  
16 **qualified rehabilitation expenses for the certified rehabilitation of a certified**  
17 **historic structure.**

18 **(b) This section applies to applications received on or after April 30, 2026.**

19 **(2) (a) Credit shall be allowed against the taxes imposed by:**

20 **1. KRS 141.020 or 141.040 and 141.0401; or**

21 **2. KRS 136.320, 136.330, 136.340, 136.350, 136.360, 136.370, 136.390,**  
22 **or 136.392 if the entity is not subject to the taxes imposed by KRS**  
23 **141.020 or 141.040 and 141.0401.**

24 **(b) The amount of credit shall be equal to:**

25 **1. Thirty percent (30%) of the qualified rehabilitation expenses, in the**  
26 **case of owner-occupied residential property;**

27 **2. Thirty percent (30%) of the qualified rehabilitation expenses, in the**

- 1                   case of workforce housing property; or
- 2                   3. Twenty percent (20%) of the qualified rehabilitation expenses, in the
- 3                   case of all other property.
- 4                   (3) (a) There shall be two (2) rounds of applications per calendar year for the
- 5                   credit provided under subsection (2) of this section, and a taxpayer seeking
- 6                   the credit shall file an application for a preliminary determination of
- 7                   maximum credit eligibility before:
- 8                   1. April 15 of the year in which the proposed project will begin; or
- 9                   2. August 15 of the year in which the proposed project will begin.
- 10                  (b) The certified rehabilitation credit cap shall be allocated as follows,
- 11                  including any amounts added to the certified rehabilitation credit cap
- 12                  pursuant to paragraph (h) of this subsection:
- 13                  1. Fifty million dollars (\$50,000,000) for applications received in
- 14                  accordance with paragraph (a)1. of this subsection; and
- 15                  2. Fifty million dollars (\$50,000,000) for applications received in
- 16                  accordance with paragraph (a)2. of this subsection.
- 17                  (c) In the event the full allocation in paragraph (b)1. is not utilized for
- 18                  applications received by April 15, the remainder shall be made available for
- 19                  applications received in accordance with paragraph (a)2. of this subsection.
- 20                  (d) If the total amount of preliminary approvals for all applications received in
- 21                  a single application round under paragraph (a)1. or 2. of this subsection
- 22                  exceeds the cap of fifty million dollars (\$50,000,000) plus any amounts
- 23                  added to the credit cap, the council shall apportion the certified
- 24                  rehabilitation credit cap as follows:
- 25                  1. The certified rehabilitation credit cap for the application round under
- 26                  consideration shall be multiplied by a fraction, the numerator which is
- 27                  the approved credit amount for an individual taxpayer for an

- 1                   application round and the denominator which is the total approved  
2                   credits for all taxpayers for an application round; and
- 3                   2. Each taxpayer shall receive not more than their pro rata share of the  
4                   certified rehabilitation credit cap allocated for the corresponding  
5                   application round.
- 6                   (e) Applications submitted for preliminary approval shall be reviewed in the  
7                   order in which they are received based on the date of the application.
- 8                   (f) The council shall determine the preliminary maximum credit available for  
9                   each taxpayer and shall notify the taxpayer of that amount by:
- 10                  1. June 30 for applications received on or before April 15 of the same  
11                  calendar year in which the application was filed; or
- 12                  2. October 30 for applications received on or before August 15 of the  
13                  same calendar year in which the application was filed.
- 14                  (g) An application submitted for preliminary approval shall describe the project  
15                  and shall include documentation supporting the qualification of the project  
16                  for the credit, the proposed start date, the proposed completion date, the  
17                  projected qualified rehabilitation expenses, and any other information the  
18                  council may require.
- 19                  (h) 1. If the total amount of credits finally approved for a taxpayer under  
20                  paragraph (i) of this subsection is less than the amount of the credits  
21                  initially approved for a taxpayer under paragraph (f) of this  
22                  subsection, the difference between the two (2) amounts shall be added  
23                  to the certified rehabilitation credit cap for the next calendar year.
- 24                  2. If the total amount of credits approved under paragraph (f) of this  
25                  subsection in any calendar year is less than the certified rehabilitation  
26                  credit cap, the difference between the credits actually awarded and the  
27                  certified rehabilitation credit cap shall be added to the certified

1                   rehabilitation credit cap for the next calendar year.

2           3. If the entire credit cap allocated for applications in paragraph (b) of  
3           this subsection is not entirely utilized for preliminary applications  
4           received under paragraph (a) of this subsection, the remaining portion  
5           shall be made available for all other properties having submitted  
6           preliminary applications within the same application round regardless  
7           of property type.

8           (i) 1. An application for a final determination of credit shall be submitted to  
9           the council upon completion of the project. A taxpayer who is no  
10           longer the owner of the certified historic structure may apply for final  
11           determination of credit as long as the taxpayer received preliminary  
12           approval under paragraph (f) of this subsection and substantially  
13           rehabilitated the certified historic structure.

14           2. The application shall include an irrevocable election by the taxpayer  
15           to:

16           a. Use the credit, in which case the credit shall be refundable; or

17           b. Transfer the credit in accordance with subsection (7) of this  
18           section, in which case the credit shall be nonrefundable.

19           3. The council shall determine the final amount of credit approved for  
20           each taxpayer based upon the actual expenditures, preliminary  
21           determination of maximum credit, and a determination that the  
22           expenditures are qualified rehabilitation expenses. All qualified  
23           rehabilitation expenses shall be included in the final calculation of the  
24           credit.

25           4. The council shall notify the taxpayer and Department of Revenue of  
26           the final approved credit amount within sixty (60) days of the receipt  
27           of a completed application from the taxpayer.

1           5. If an election is made in accordance with subsection (6) of this  
2           section, the council shall provide a copy of the written authorization  
3           and amount of approved credit allocated by the pass-through entity.

4           (4) Subject to the certified rehabilitation cap in subsection (3)(b) of this section any  
5           appointment required under subsection (3)(d) of this section:

6           (a) The maximum credit which may be claimed with regard to owner-occupied  
7           residential property shall be one hundred twenty thousand dollars  
8           (\$120,000), and the credit in this section shall be claimed for the taxable  
9           year in which the certified rehabilitation is completed; and

10          (b) The maximum credit which may be claimed with regard to all other  
11          property that is not owner-occupied residential shall be ten million dollars  
12          (\$10,000,000), and the credit in this section shall be claimed for the taxable  
13          year in which the certified rehabilitation is completed.

14          (5) In the case of two (2) spouses filing separate returns or filing separately on a  
15          joint return, the credit may be taken by either or divided equally, but the  
16          combined credit shall not exceed one hundred twenty thousand dollars (\$120,000)  
17          if subject to the limitation in subsection (4)(a) of this section, or ten million  
18          dollars (\$10,000,000) if subject to the limitation in subsection (4)(b) of this  
19          section.

20          (6) (a) If the taxpayer is a pass-through entity not subject to the tax imposed by  
21          KRS 141.040, the taxpayer shall:

22                 1. Apply the credit at the entity level against the limited liability entity tax  
23                 imposed by KRS 141.0401; or

24                 2. At the election and written authorization of the approved entity, pass  
25                 the credit through to their partners, members, or shareholders in any  
26                 manner so prescribed by the approved entity and may be  
27                 disproportionate to such partner's, member's, or shareholder's

1 distributive share of net income or loss.

2 (b) This subsection shall apply to any credits that pass through to a partner or  
3 successor or beneficiary of a taxpayer.

4 (7) (a) Credits received under this section may be transferred or assigned if an  
5 election is made under subsection (3)(i)2. of this section, for some or no  
6 consideration, along with any related benefits, rights, responsibilities, and  
7 liabilities to any person or entity subject to the taxes imposed by:

8 1. KRS 141.020, 141.040, or 141.040; or

9 2. KRS 136.320, 136.330, 136.340, 136.350, 136.360, 136.370, 136.390,  
10 or 136.392.

11 (b) Within thirty (30) days of the date of any transfer of credits, the party  
12 transferring the credits shall notify the Department of Revenue and provide:

13 1. The name, address, employer identification number, and bank routing  
14 and transfer numbers of the party to which the credits are transferred;

15 2. The amount of credit transferred; and

16 3. Any additional information the Department of Revenue deems  
17 necessary.

18 (c) Any taxpayer receiving transferred credit under this subsection may carry  
19 forward unused credit for a period not to exceed seven (7) taxable years  
20 from which the certified rehabilitation was complete.

21 (d) This subsection shall apply to any credits that pass through to a partner or  
22 successor or beneficiary of a taxpayer.

23 (8) For purposes of this section, a lessee of a certified historic structure shall be  
24 treated as the owner of the structure if the remaining term of the lease is not less  
25 than the minimum period established in an administrative regulation  
26 promulgated by the council.

27 (9) The taxes imposed in KRS 141.020, 141.040, and 141.0401 shall not apply to any

1 consideration received for the transfer, sale, assignment, or use of a tax credit  
2 approved under this section.

3 (10) (a) The Department of Revenue shall assess a penalty in an amount equal to  
4 one hundred percent (100%) of the tax credit allowed on the rehabilitation  
5 on any taxpayer or exempt entity that:

6 1. Performs disqualifying work as determined by the Kentucky Heritage  
7 Council; or

8 2. Fails to maintain compliance with the workforce housing  
9 requirements established in subsection (13) of Section 1 of this Act, as  
10 determined by the council and the Kentucky Housing Corporation.

11 (b) Any penalties assessed under paragraph (a) of this subsection shall be  
12 assessed against the property owner and not against any transferee of the  
13 credits.

14 (11) The council may impose fees for processing applications for tax credits, not to  
15 exceed the actual cost associated with processing the applications.

16 (12) The council may authorize a local government to perform an initial review of  
17 applications for the credit allowed under this section and forward the applications  
18 to the council with its recommendations.

19 (13) The council and the Department of Revenue may promulgate administrative  
20 regulations in accordance with KRS Chapter 13A to establish policies and  
21 procedures necessary to implement this section.

22 ➔Section 4. KRS 141.0205 is amended to read as follows:

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

26 (1) The nonrefundable business incentive credits against the tax imposed by KRS  
27 141.020 shall be taken in the following order:

- 1 (a) The limited liability entity tax credit permitted by KRS 141.0401;
- 2 (b) The economic development credits computed under KRS 141.347, 141.381,  
3 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and  
4 154.12-2088;
- 5 (c) The qualified farming operation credit permitted by KRS 141.412;
- 6 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 7 (e) The health insurance credit permitted by KRS 141.062;
- 8 (f) The tax paid to other states credit permitted by KRS 141.070;
- 9 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 10 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 11 (i) The ~~tax~~ credit for cash contributions in investment funds permitted by KRS  
12 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
13 154.20-258;
- 14 (j) The research facilities credit permitted by KRS 141.395;
- 15 (k) The employer High School Equivalency Diploma program incentive credit  
16 permitted under KRS 151B.402;
- 17 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 18 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 19 (n) The clean coal incentive credit permitted by KRS 141.428;
- 20 (o) The ethanol credit permitted by KRS 141.4242;
- 21 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 22 (q) The energy efficiency credits permitted by KRS 141.436;
- 23 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 24 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 25 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 26 (u) The distilled spirits credit permitted by KRS 141.389;
- 27 (v) The angel investor credit permitted by KRS 141.396;

- 1 (w) The film industry credit permitted by KRS 141.383 for applications approved  
2 on or after April 27, 2018, but before January 1, 2022;
- 3 (x) The inventory credit permitted by KRS 141.408;
- 4 (y) The renewable chemical production credit permitted by KRS 141.4231; and
- 5 (z) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;
- 6 (2) After the application of the nonrefundable credits in subsection (1) of this section,  
7 the nonrefundable personal tax credits against the tax imposed by KRS 141.020  
8 shall be taken in the following order:
- 9 (a) The individual credits permitted by KRS 141.020(3);
- 10 (b) The credit permitted by KRS 141.066;
- 11 (c) The tuition credit permitted by KRS 141.069;
- 12 (d) The household and dependent care credit permitted by KRS 141.067;
- 13 (e) The income gap credit permitted by KRS 141.066; and
- 14 (f) The Education Opportunity Account Program ~~tax~~ credit permitted by KRS  
15 141.522;
- 16 (3) After the application of the nonrefundable credits provided for in subsection (2) of  
17 this section, the refundable credits against the tax imposed by KRS 141.020 shall be  
18 taken in the following order:
- 19 (a) The individual withholding tax credit permitted by KRS 141.350;
- 20 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 21 (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and  
22 171.397(1)(b) **and Section 3 of this Act**;
- 23 (d) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications  
24 approved prior to April 27, 2018, or on or after January 1, 2022;
- 25 (e) The development area ~~tax~~ credit permitted by KRS 141.398;
- 26 (f) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
- 27 (g) The pass-through entity tax credit permitted by KRS 141.209;

- 1 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the  
2 tax imposed by KRS 141.040;
- 3 (5) The following nonrefundable credits shall be applied against the sum of the tax  
4 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)  
5 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 6 (a) The economic development credits computed under KRS 141.347, 141.381,  
7 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and  
8 154.12-2088;
- 9 (b) The qualified farming operation credit permitted by KRS 141.412;
- 10 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 11 (d) The health insurance credit permitted by KRS 141.062;
- 12 (e) The unemployment credit permitted by KRS 141.065;
- 13 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 14 (g) The coal conversion credit permitted by KRS 141.041;
- 15 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods  
16 ending prior to January 1, 2008;
- 17 (i) The ~~tax~~ credit for cash contributions to investment funds permitted by KRS  
18 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
19 154.20-258;
- 20 (j) The research facilities credit permitted by KRS 141.395;
- 21 (k) The employer High School Equivalency Diploma program incentive credit  
22 permitted by KRS 151B.402;
- 23 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 24 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 25 (n) The clean coal incentive credit permitted by KRS 141.428;
- 26 (o) The ethanol credit permitted by KRS 141.4242;
- 27 (p) The cellulosic ethanol credit permitted by KRS 141.4244;

- 1 (q) The energy efficiency credits permitted by KRS 141.436;
- 2 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit  
3 permitted by KRS 141.437;
- 4 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 5 (t) The railroad expansion credit permitted by KRS 141.386;
- 6 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 7 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 8 (w) The distilled spirits credit permitted by KRS 141.389;
- 9 (x) The film industry credit permitted by KRS 141.383 for applications approved  
10 on or after April 27, 2018, but before January 1, 2022;
- 11 (y) The inventory credit permitted by KRS 141.408;
- 12 (z) The renewable chemical production ~~tax~~ credit permitted by KRS 141.4231;
- 13 (aa) The Education Opportunity Account Program tax credit permitted by KRS  
14 141.522; and
- 15 (ab) The qualified broadband investment ~~tax~~ credit permitted by KRS 141.391;  
16 and
- 17 (6) After the application of the nonrefundable credits in subsection (5) of this section,  
18 the refundable credits shall be taken in the following order:
- 19 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 20 (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and  
21 171.397(1)(b) **and Section 3 of this Act**;
- 22 (c) The film industry ~~tax~~ credit permitted by KRS 141.383 for applications  
23 approved prior to April 27, 2018, or on or after January 1, 2022;
- 24 (d) The decontamination ~~tax~~ credit permitted by KRS 141.419; and
- 25 (e) The pass-through entity tax credit permitted by KRS 141.209.
- 26 ➔Section 5. KRS 141.382 is amended to read as follows:
- 27 (1) As used in this section:

- 1 (a) "Certified historic structure" means the same as defined in KRS 171.396;
- 2 (b) "Qualified rehabilitation expense" means the same as defined in KRS
- 3 171.396; and
- 4 (c) "Substantial rehabilitation" means the same as defined in KRS 171.396.

5 (2) A refundable or transferable credit in the amount determined in KRS 171.397 *and*

6 Section 3 of this Act shall be allowed against the taxes imposed by KRS Chapter

7 ~~136.505~~ or KRS 141.020 or 141.040 and 141.0401, with the ordering of credits

8 provided in KRS 141.0205, for qualified rehabilitation expenses incurred by the

9 taxpayer and used for substantial rehabilitation to a certified historic structure.

10 ➔Section 6. KRS 171.3961 is amended to read as follows:

11 (1) For taxable years beginning on or after January 1, 2014, a taxpayer completing a

12 certified rehabilitation to a certified historic structure shall be allowed a credit

13 against the taxes imposed by KRS 141.020 or 141.040 and 141.0401, with the

14 ordering of credits as provided in KRS 141.0205, or KRS 136.505 if:

- 15 (a) The certified historic structure is located within the jurisdiction of a
- 16 consolidated local government or urban-county government;
- 17 (b) The amount of qualified rehabilitation expenses exceeds fifteen million
- 18 dollars (\$15,000,000);
- 19 (c) The certified historic structure is located within one-half (1/2) mile of a tax
- 20 increment financing development area which has received at least preliminary
- 21 approval under KRS 65.490 or 154.30-050; and
- 22 (d) Substantial rehabilitation of the certified historic structure begins prior to July
- 23 1, 2015.

24 (2) (a) The credit shall:

- 25 1. Equal the percentage of qualified rehabilitation expenses as provided in
- 26 KRS 171.397(1)(a) *and Section 3 of this Act*;
- 27 2. Only apply to the first thirty million dollars (\$30,000,000) of qualified

1 rehabilitation expenses; and

2 3. Be refundable and transferable.

3 (b) Any projects approved for a credit under this section shall not be subject to  
4 any caps established by KRS 171.397 or Section 3 of this Act and shall not be  
5 considered in determining whether the certified rehabilitation credit cap has  
6 been met in any year.

7 (3) The taxpayer seeking the credit shall file the applications for preliminary  
8 determination and final determination as provided by KRS 171.397(2) and Section  
9 3 of this Act.

10 (4) The total approved credit shall be available over a four (4) year period and the  
11 maximum credit which may be claimed in a taxable year shall not exceed twenty-  
12 five percent (25%) of the total approved credit.

13 (5) The provisions of KRS 171.397(9) to (14) and subsections (8) to (13) of Section 3  
14 of this Act shall also apply to this section.

15 ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 198A IS CREATED TO  
16 READ AS FOLLOWS:

17 (1) The corporation shall work with the Kentucky Heritage Council to administer the  
18 certified rehabilitation credit permitted by Section 3 of this Act.

19 (2) For workforce housing properties that are granted credit based on thirty percent  
20 (30%) of qualified rehabilitation expenses for providing housing that is  
21 affordable to households earning eighty percent (80%) or less of the Area Median  
22 Income, the corporation shall ensure that the workforce housing property remain  
23 compliant with this requirement for a minimum of five (5) years within the  
24 completion of the certified rehabilitation.

25 (3) The corporation, in conjunction with the Kentucky Heritage Council and the  
26 Department of Revenue, may promulgate administrative regulations in  
27 accordance with KRS Chapter 13A to establish policies and procedures to ensure

1        *compliance with this section.*

2        ➔Section 8. Whereas approving applicants for the certified rehabilitation credit in  
3 a timely manner is important to the rehabilitation of historic structures in the  
4 Commonwealth and the administration of the credit, an emergency is declared to exist,  
5 and this Act takes effect upon its passage and approval by the Governor or upon its  
6 otherwise becoming a law.