

1 AN ACT relating to an income tax deduction for union and professional dues.

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

3 ➔Section 1. KRS 141.019 is amended to read as follows:

4 In the case of taxpayers other than corporations:

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

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

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

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

15 (d) Exclude employee pension contributions picked up as provided for in KRS
16 6.505, 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610,
17 and 161.540 upon a ruling by the Internal Revenue Service or the federal
18 courts that these contributions shall not be included as gross income until such
19 time as the contributions are distributed or made available to the employee;

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

22 (f) Exclude any money received because of a settlement or judgment in a lawsuit
23 brought against a manufacturer or distributor of "Agent Orange" for damages
24 resulting from exposure to Agent Orange by a member or veteran of the
25 Armed Forces of the United States or any dependent of such person who
26 served in Vietnam;

27 (g) 1. a. For taxable years beginning after December 31, 2005, but before

January 1, 2018, exclude up to forty-one thousand one hundred ten dollars (\$41,110) of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans; and

b. For taxable years beginning on or after January 1, 2018, exclude up to thirty-one thousand one hundred ten dollars (\$31,110) of total distributions from pension plans, annuity contracts, profit-sharing plans, retirement plans, or employee savings plans.

2. As used in this paragraph:

- a. "Annuity contract" has the same meaning as set forth in Section 1035 of the Internal Revenue Code;
- b. "Distributions" includes but is not limited to any lump-sum distribution from pension or profit-sharing plans qualifying for the income tax averaging provisions of Section 402 of the Internal Revenue Code; any distribution from an individual retirement account as defined in Section 408 of the Internal Revenue Code; and any disability pension distribution; and
- c. "Pension plans, profit-sharing plans, retirement plans, or employee savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit-sharing plan of a public or private employer for the exclusive benefit of employees or their beneficiaries and includes plans qualified or unqualified under Section 401 of the Internal Revenue Code and individual retirement accounts as defined in Section 408 of the Internal Revenue Code;
- a. Exclude the portion of the distributive share of a shareholder's net assets from Section 303(d)(1)(B)(ii)(I) if the shareholder is an individual

under KRS 136.505 or the capital stock tax imposed under KRS 136.300; and

b. Exclude the portion of the distributive share of a shareholder's net income from an S corporation related to a qualified subchapter S subsidiary subject to the franchise tax imposed under KRS 136.505 or the capital stock tax imposed under KRS 136.300.

7 2. The shareholder's basis of stock held in an S corporation where the S
8 corporation or its qualified subchapter S subsidiary is subject to the
9 franchise tax imposed under KRS 136.505 or the capital stock tax
10 imposed under KRS 136.300 shall be the same as the basis for federal
11 income tax purposes;

12 (i) Exclude income received for services performed as a precinct worker for
13 election training or for working at election booths in state, county, and local
14 primaries or regular or special elections;

15 (j) Exclude any capital gains income attributable to property taken by eminent
16 domain;

17 (k) 1. Exclude all income from all sources for members of the Armed Forces
18 who are on active duty and who are killed in the line of duty, for the
19 year during which the death occurred and the year prior to the year
20 during which the death occurred.

21 2. For the purposes of this paragraph, "all income from all sources" shall
22 include all federal and state death benefits payable to the estate or any
23 beneficiaries:

24 (I) Exclude all military pay received by members of the Armed Forces while on
25 active duty:

26 (m) 1. Include the amount deducted for depreciation under 26 U.S.C. sec. 167
27 or 168; and

1 2. Exclude the amounts allowed by KRS 141.0101 for depreciation;

2 (n) Include the amount deducted under 26 U.S.C. sec. 199A;

3 (o) Ignore any change in the cost basis of the surviving spouse's share of property

4 owned by a Kentucky community property trust occurring for federal income

5 tax purposes as a result of the death of the predeceasing spouse;

6 (p) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and

7 278, related to the tax treatment of forgiven covered loans, deductions

8 attributable to those loans, and tax attributes associated with those loans for

9 taxable years ending on or after March 27, 2020, but before January 1, 2022;{

10 and}]

11 (q) For taxable years beginning on or after January 1, 2020, but before March 11,

12 2023, allow the same treatment of restaurant revitalization grants in

13 accordance with Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c,

14 related to the tax treatment of the grants, deductions attributable to those

15 grants, and tax attributes associated with those grants; and

16 (r) 1. a. For taxable years beginning on or after January 1, 2027, but

17 before January 1, 2031, exclude professional membership dues

18 and union dues paid during the taxable year and not deducted

19 under Section 162 of the Internal Revenue Code.

20 b. As used in this paragraph:

21 i. "Professional membership dues" means the total amount

22 of dues, fees, assessments, or other charges or expenses

23 required of members to maintain their professional license

24 or association membership related to his or her

25 employment; and

26 ii. "Union dues" means the total amount of dues, fees,

27 assessments, or other charges or expenses required of

private or public employees represented by a labor organization.

2. a. In order for the General Assembly to evaluate this exclusion, the department shall report the following information to the Legislative Research Commission and the Interim Joint Committee on Appropriations and Revenue on or before November 1, 2028, and on or before each November 1 thereafter as long as the exclusion is claimed on any return filed:

i. The number of returns claiming the exclusion for each taxable year;

ii. The total amount of the exclusions claimed and the total amount of the reduced tax liability for each taxable year; and

iii. Based on ranges of adjusted gross income of no larger than five thousand dollars (\$5,000), the total amount of the reduced tax liability for each adjusted gross income range for each taxable year.

b. The information required to be reported under this paragraph 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 of information; and

23 (2) Net income shall be calculated by subtracting from adjusted gross income all the
24 deductions allowed individuals by Chapter 1 of the Internal Revenue Code, as
25 modified by KRS 141.0101, except:

26 (a) Any deduction allowed by 26 U.S.C. sec. 164 for taxes;

27 (b) Any deduction allowed by 26 U.S.C. sec. 165 for losses, except wagering

1 losses allowed under Section 165(d) of the Internal Revenue Code;

2 (c) Any deduction allowed by 26 U.S.C. sec. 213 for medical care expenses;

3 (d) Any deduction allowed by 26 U.S.C. sec. 217 for moving expenses;

4 (e) Any deduction allowed by 26 U.S.C. sec. 67 for any other miscellaneous

5 deduction;

6 (f) Any deduction allowed by the Internal Revenue Code for amounts allowable

7 under KRS 140.090(1)(h) in calculating the value of the distributive shares of

8 the estate of a decedent, unless there is filed with the income return a

9 statement that the deduction has not been claimed under KRS 140.090(1)(h);

10 (g) Any deduction allowed by 26 U.S.C. sec. 151 for personal exemptions and

11 any other deductions in lieu thereof;

12 (h) Any deduction allowed for amounts paid to any club, organization, or

13 establishment which has been determined by the courts or an agency

14 established by the General Assembly and charged with enforcing the civil

15 rights laws of the Commonwealth, not to afford full and equal membership

16 and full and equal enjoyment of its goods, services, facilities, privileges,

17 advantages, or accommodations to any person because of race, color, religion,

18 national origin, or sex, except nothing shall be construed to deny a deduction

19 for amounts paid to any religious or denominational club, group, or

20 establishment or any organization operated solely for charitable or educational

21 purposes which restricts membership to persons of the same religion or

22 denomination in order to promote the religious principles for which it is

23 established and maintained; and

24 (i) A taxpayer may elect to claim the standard deduction allowed by KRS

25 141.081 instead of itemized deductions allowed pursuant to 26 U.S.C. sec. 63

26 and as modified by this section.

27 ➔Section 2. KRS 131.190 is amended to read as follows:

- 1 (1) No present or former commissioner or employee of the department, present or
2 former member of a county board of assessment appeals, present or former property
3 valuation administrator or employee, present or former secretary or employee of the
4 Finance and Administration Cabinet, former secretary or employee of the Revenue
5 Cabinet, or any other person, shall intentionally and without authorization inspect
6 or divulge any information acquired by him or her of the affairs of any person, or
7 information regarding the tax schedules, returns, or reports required to be filed with
8 the department or other proper officer, or any information produced by a hearing or
9 investigation, insofar as the information may have to do with the affairs of the
10 person's business.
- 11 (2) The prohibition established by subsection (1) of this section shall not extend to:
 - 12 (a) Information required in prosecutions for making false reports or returns of
13 property for taxation, or any other infraction of the tax laws;
 - 14 (b) Any matter properly entered upon any assessment record, or in any way made
15 a matter of public record;
 - 16 (c) Furnishing any taxpayer or his or her properly authorized agent with
17 information respecting his or her own return;
 - 18 (d) Testimony provided by the commissioner or any employee of the department
19 in any court, or the introduction as evidence of returns or reports filed with the
20 department, in an action for violation of state or federal tax laws or in any
21 action challenging state or federal tax laws;
 - 22 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or
23 energy resources assessed under KRS 132.820, or owners of surface land
24 under which the unmined minerals lie, factual information about the owner's
25 property derived from third-party returns filed for that owner's property, under
26 the provisions of KRS 132.820, that is used to determine the owner's
27 assessment. This information shall be provided to the owner on a confidential

1 basis, and the owner shall be subject to the penalties provided in KRS
2 131.990(2). The third-party filer shall be given prior notice of any disclosure
3 of information to the owner that was provided by the third-party filer;

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

1 any Kentucky county, any Kentucky city, any other state, or the federal
2 government, under reciprocal agreements whereby the department shall receive
3 similar or useful information in return.

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

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

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