

1 AN ACT relating to the unemployment tax credit.

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

3 ➔Section 1. KRS 141.065 is amended to read as follows:

4 (1) ***For taxable years beginning before January 1, 2021,*** ~~[For the purposes of this~~
5 ~~section, "code" or "Internal Revenue Code" means the Internal Revenue Code in~~
6 ~~effect as of December 31, 1981.~~

7 ~~(2)~~ there shall be ***permitted***~~[allowed]~~ as a credit for any taxpayer against the tax
8 imposed by KRS 141.020 or 141.040 and 141.0401~~[for any taxable year]~~, with the
9 ordering of the credits as provided in KRS 141.0205, an amount equal to:

10 ***(a)*** One hundred dollars (\$100) for each ***individual***~~[person]~~ hired by the taxpayer,
11 if that ***individual***~~[person]~~

12 ***1.*** Has been classified as unemployed by the Office of Employment and
13 Training of the Department of Workforce Investment in the Education
14 and Workforce Development Cabinet~~[and has been so classified]~~ for at
15 least sixty (60) days prior to his ***or her*** employment by the taxpayer;~~;~~
16 and~~[if further that person]~~

17 ***2.*** Has remained in the employ of the taxpayer for at least one hundred
18 eighty (180) consecutive days during the taxable year in which the
19 taxpayer claims the credit; ***or***

20 ***(b) For taxable years beginning on or after January 1, 2017, one thousand***
21 ***dollars (\$1,000) for each individual hired by the taxpayer, if that individual:***

22 ***1. Meets the qualifications provided in paragraph (a)1. and 2. of this***
23 ***subsection; and***

24 ***2. Immediately prior to becoming unemployed, was working for an entity***
25 ***in the coal industry, including the:***

26 ***a. Mining of bituminous or anthracite coal or lignite;***

27 ***b. Developing of bituminous or anthracite coal or lignite mine***

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sites;

c. Processing of coal, including cleaning, washing, screening, or sizing the coal;

d. Transportation of coal; and

e. Exploration for coal, including prospecting, sampling, surveying, or mapping services.

~~(2)~~~~(3)~~ No credit shall be permitted~~allowed~~ to any taxpayer for any individual~~person~~ hired under any of the following circumstances:

(a) An individual~~A person~~ for whom the taxpayer receives federally funded payments for on-the-job training;

(b) An individual~~For any person~~ who bears any of the relationships to the taxpayer described in Internal Revenue Code~~paragraphs (1) through (8) of~~ Section 152(a)(1) or (2) and defined in Internal Revenue Code Section 152 (c) or (d);~~of the Internal Revenue Code, or,~~

(c) If the taxpayer is a corporation,~~to~~ an individual who owns, directly or indirectly, more than ten~~fifty~~ percent (10%)~~(50%)~~ in value of the outstanding stock of that~~the~~ corporation as determined by Internal Revenue Code~~with the application of~~ Section 267(c)~~of the Code~~; or

~~(d)~~(e) If the taxpayer is an estate or trust, an individual~~to any person~~ who is:

1. A grantor, beneficiary, or fiduciary of that~~the~~ estate or trust;~~;~~ ~~or~~ ~~is~~

2. An individual who bears any of the relationships described in Internal Revenue Code~~paragraphs (1) through (8) of~~ Section 152(a)(1) or (2)~~of the Code~~ to a grantor, beneficiary, or fiduciary of the estate or trust;
or

~~(d)~~ ~~To any person who is a dependent of the taxpayer as described in Code Section 152(a)(9), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.~~

1 **(3)** ~~{(4) For purposes of this section, all employees of all corporations which are~~
2 ~~members of the same controlled group of corporations shall be treated as employed~~
3 ~~by a single employer. In no instance shall the credit, if any, allowable by subsection~~
4 ~~(2) of this section for any employee qualified thereunder be claimed more than once~~
5 ~~for any taxable year by such a controlled group of corporations. For purposes of this~~
6 ~~subsection, the term "controlled group of corporations" has the meaning given to~~
7 ~~that term by code Section 1563(a), except that "more than fifty percent (50%)" shall~~
8 ~~be substituted for "at least eighty percent (80%)" each place it appears in code~~
9 ~~Section 1563(a)(1), and the determination shall be made without regard to~~
10 ~~subsections (a)(4) and (e)(3)(c) of code Section 1563.~~

11 ~~(5) For purposes of this section, all employees of trades or businesses (whether or not~~
12 ~~incorporated) which are under common control shall be treated as employed by a~~
13 ~~single employer, and }In no instance shall the credit *permitted*[, if any, allowable]~~
14 ~~by subsection (1)~~{(2)}~~ of this section for any *qualified* employee~~[qualified~~~~
15 ~~thereunder] be claimed more than once for any taxable year.~~

16 ~~(4)~~~~{(6)}~~ No credit shall be *permitted*~~[allowed]~~ under subsection (1)~~{(2)}~~ of this section
17 to any organization which is exempt from income tax by this chapter.

18 ~~(5)~~~~{(7)}~~ In the case of a pass-through entity ***not subject to the tax imposed by KRS***
19 ***141.040***, the amount of the credit determined under this section for any taxable year
20 shall be applied at the entity level against the limited liability entity tax imposed by
21 KRS 141.0401 and shall also ***be distributed to each partner, member, or***
22 ***shareholder based on the partner's, member's, or shareholder's distributive share***
23 ***of income as determined for the year***~~[be apportioned pro rata among the members,~~
24 ~~partners, or shareholders of the limited liability entity on the last day of the taxable~~
25 ~~year, and any person to whom an amount is so apportioned shall be allowed, subject~~
26 ~~to code Section 53, a credit under subsection (2) of this section for that amount].~~

27 ~~{(8) In the case of an estate or trust, the amount of the credit determined under this~~

1 section for any taxable year shall be apportioned between the estate or trust and the
 2 beneficiaries on the basis of income of the estate or trust allocable to each, and any
 3 beneficiary to whom any amount has been apportioned under this subsection shall
 4 be allowed, subject to code Section 53, a credit under subsection (2) of this section
 5 for that amount.]

6 ~~(6)~~~~(9)~~ In no event shall the credit permitted~~[allowed]~~, pursuant to this section, for
 7 any taxable year exceed the tax liability of the taxpayer for the taxable year.

8 **(7) (a) The purpose of the unemployment tax credit permitted in subsection (1) of**
 9 **this section is to encourage employers in the Commonwealth to hire**
 10 **individuals that have been unemployed for at least sixty (60) days, with an**
 11 **emphasis on increased benefit for employers hiring former coal workers**
 12 **who are unemployed.**

13 **(b) The department shall provide the following information to the Legislative**
 14 **Research Commission no later than December 1, 2018, and each year**
 15 **thereafter as long as the credit is permitted:**

16 **1. The total value of the credits claimed by all taxpayers for each of the**
 17 **credits permitted pursuant to subsection (1)(a) and (b) of this section**
 18 **on returns filed within the preceding fiscal year; and**

19 **2. The number of individuals hired, separated by county, for each of the**
 20 **credits permitted pursuant to subsection (1)(a) and (b) of this section,**
 21 **based on the county of residence for that individual.**

22 ➔Section 2. 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) 1. For taxable years beginning after December 31, 2004, and before
2 January 1, 2007, the corporation income tax credit permitted by KRS
3 141.420(3)(a);
- 4 2. For taxable years beginning after December 31, 2006, the limited
5 liability entity tax credit permitted by KRS 141.0401;
- 6 (b) The economic development credits computed under KRS 141.347, 141.381,
7 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-
8 2088, and 154.27-080;
- 9 (c) The qualified farming operation credit permitted by KRS 141.412;
- 10 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 11 (e) The health insurance credit permitted by KRS 141.062;
- 12 (f) The tax paid to other states credit permitted by KRS 141.070;
- 13 (g) The unemployment credit ~~for hiring the unemployed~~ permitted by KRS
14 141.065(1)(a) or (b);
- 15 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 16 (i) The tax credit for cash contributions in investment funds permitted by KRS
17 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
18 154.20-258;
- 19 (j) The coal incentive credit permitted ~~by~~under KRS 141.0405;
- 20 (k) The research facilities credit permitted ~~by~~under KRS 141.395;
- 21 (l) The employer GED incentive credit permitted ~~by~~under KRS 164.0062;
- 22 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 23 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 24 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 25 (p) The clean coal incentive credit permitted by KRS 141.428;
- 26 (q) The ethanol credit permitted by KRS 141.4242;
- 27 (r) The cellulosic ethanol credit permitted by KRS 141.4244;

- 1 (s) The energy efficiency credits permitted by KRS 141.436;
- 2 (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 3 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 4 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 5 (w) The food donation credit permitted by KRS 141.392;
- 6 (x) The distilled spirits credit permitted by KRS 141.389; and
- 7 (y) The angel investor credit permitted by KRS 141.396.
- 8 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 9 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 10 shall be taken in the following order:
- 11 (a) The individual credits permitted by KRS 141.020(3);
- 12 (b) The credit permitted by KRS 141.066;
- 13 (c) The tuition credit permitted by KRS 141.069;
- 14 (d) The household and dependent care credit permitted by KRS 141.067; and
- 15 (e) The new home credit permitted by KRS 141.388.
- 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) For taxable years beginning after December 31, 2004, and before January 1,
- 22 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
- 23 (d) The certified rehabilitation credit permitted by KRS 171.3961 and
- 24 171.397(1)(b); and
- 25 (e) The film industry tax credit ~~permitted~~^{permitted} by KRS 141.383.
- 26 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
- 27 tax imposed by KRS 141.040.

- 1 (5) The following nonrefundable credits shall be applied against the sum of the tax
2 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
3 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 4 (a) The economic development credits computed under KRS 141.347, 141.381,
5 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-
6 2088, and 154.27-080;
 - 7 (b) The qualified farming operation credit permitted by KRS 141.412;
 - 8 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
 - 9 (d) The health insurance credit permitted by KRS 141.062;
 - 10 (e) The unemployment credit permitted by KRS 141.065**(1)(a) or (b)**;
 - 11 (f) The recycling or composting equipment credit permitted by KRS 141.390;
 - 12 (g) The coal conversion credit permitted by KRS 141.041;
 - 13 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
14 ending prior to January 1, 2008;
 - 15 (i) The tax credit for cash contributions to investment funds permitted by KRS
16 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
17 154.20-258;
 - 18 (j) The coal incentive credit permitted ~~by~~under KRS 141.0405;
 - 19 (k) The research facilities credit permitted ~~by~~under KRS 141.395;
 - 20 (l) The employer GED incentive credit permitted ~~by~~under KRS 164.0062;
 - 21 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
 - 22 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - 23 (o) The environmental stewardship credit permitted by KRS 154.48-025;
 - 24 (p) The clean coal incentive credit permitted by KRS 141.428;
 - 25 (q) The ethanol credit permitted by KRS 141.4242;
 - 26 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
 - 27 (s) The energy efficiency credits permitted by KRS 141.436;

- 1 (t) The ENERGY STAR home or ENERGY STAR manufactured home credit
 2 permitted by KRS 141.437;
- 3 (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 4 (v) The railroad expansion credit permitted by KRS 141.386;
- 5 (w) The Endow Kentucky credit permitted by KRS 141.438;
- 6 (x) The New Markets Development Program credit permitted by KRS 141.434;
- 7 (y) The food donation credit permitted by KRS 141.392; and
- 8 (z) The distilled spirits credit permitted by KRS 141.389.

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

- 11 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 12 (b) The certified rehabilitation credit permitted by KRS 171.3961 and
 13 171.397(1)(b); and
- 14 (c) The film industry tax credit permitted by~~allowed in~~ KRS 141.383.

15 ➔Section 3. KRS 131.190 is amended to read as follows:

16 (1)~~(a)~~ No present or former commissioner or employee of the department ~~of~~
 17 ~~Revenue~~, present or former member of a county board of assessment appeals,
 18 present or former property valuation administrator or employee, present or former
 19 secretary or employee of the Finance and Administration Cabinet, former secretary
 20 or employee of the Revenue Cabinet, or any other person, shall intentionally and
 21 without authorization inspect or divulge any information acquired by him of the
 22 affairs of any person, or information regarding the tax schedules, returns, or reports
 23 required to be filed with the department or other proper officer, or any information
 24 produced by a hearing or investigation, insofar as the information may have to do
 25 with the affairs of the person's business.

26 ~~(2)(b)~~ The prohibition established by subsection (1)~~paragraph (a)~~ of this section
 27 shall~~subsection does~~ not extend to:

- 1 ~~(a)~~^[1-] Information required in prosecutions for making false reports or returns
2 of property for taxation, or any other infraction of the tax laws;
- 3 ~~(b)~~^[2-] Any matter properly entered upon any assessment record, or in any way
4 made a matter of public record;
- 5 ~~(c)~~^[3-] Furnishing any taxpayer or his properly authorized agent with
6 information respecting his own return;
- 7 ~~(d)~~^[4-] Testimony provided by the commissioner or any employee of the
8 department~~[of Revenue]~~ in any court, or the introduction as evidence of
9 returns or reports filed with the department, in an action for violation of state
10 or federal tax laws or in any action challenging state or federal tax laws;
- 11 ~~(e)~~^[5-] Providing an owner of unmined coal, oil or gas reserves, and other
12 mineral or energy resources assessed under KRS 132.820~~[(1)]~~, or owners of
13 surface land under which the unmined minerals lie, factual information about
14 the owner's property derived from third-party returns filed for that owner's
15 property, under the provisions of KRS 132.820~~[(2)]~~, that is used to determine
16 the owner's assessment. This information shall be provided to the owner on a
17 confidential basis, and the owner shall be subject to the penalties provided in
18 KRS 131.990(2). The third-party filer shall be given prior notice of any
19 disclosure of information to the owner that was provided by the third-party
20 filer;
- 21 ~~(f)~~^[6-] Providing to a third-party purchaser pursuant to an order entered in a
22 foreclosure action filed in a court of competent jurisdiction, factual
23 information related to the owner or lessee of coal, oil, gas reserves, or any
24 other mineral resources assessed under KRS 132.820~~[(1)]~~. The department
25 may promulgate an administrative regulation establishing a fee schedule for
26 the provision of the information described in this subparagraph. Any fee
27 imposed shall not exceed the greater of the actual cost of providing the

1 information or ten dollars (\$10);~~[-or]~~

2 ~~(g)[7.]~~ Providing information to a licensing agency, the Transportation Cabinet,
3 or the Kentucky Supreme Court under KRS 131.1817;

4 *(h) Statistics of gasoline and special fuels gallonage reported to the department*
5 *under KRS 138.210 to 138.448;*

6 *(i) Statistics of crude oil reported to the department under the crude oil excise*
7 *tax requirements of KRS Chapter 137;*

8 *(j) Statistics of natural gas production reported to the department under the*
9 *natural resources severance tax requirements of KRS Chapter 143A;*

10 *(k) Those portions of mine maps submitted by taxpayers to the department*
11 *pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the*
12 *boundaries of mined-out parcel areas. These electronic maps shall not be*
13 *relied upon to determine actual boundaries of mined-out parcel areas.*
14 *Property boundaries contained in mine maps required under KRS Chapters*
15 *350 and 352 shall not be construed to constitute land surveying or boundary*
16 *surveys defined by KRS 322.010 and any administrative regulations;*

17 *(l) Providing to other state agencies the report, filed with the department by an*
18 *employer, listing the policy number and the name and address of the*
19 *employer's workers' compensation insurance carrier under Section 4 of this*
20 *Act;*

21 *(m) The name and address of a cigarette stamping agent or distributor and the*
22 *number of sticks by brand name that have been purchased from a*
23 *nonparticipating manufacturer and have been stamped with Kentucky*
24 *stamps by that agent or distributor provided by Section 5 of this Act;*

25 *(n) A list of taxpayers that owe delinquent taxes or fees administered by the*
26 *department provided by Section 6 of this Act;*

27 *(o) Providing any utility gross receipts license tax return information that is*

1 necessary to administer the provisions of KRS 160.613 to 160.617 to
 2 applicable school districts on a confidential basis;

3 (p) Information made available by the department, for official use only and on
 4 a confidential basis, to the proper officer, agency, board, or commission of
 5 this state, any Kentucky city or county, any other state, or the federal
 6 government, under reciprocal agreements whereby the department shall
 7 receive similar or useful information in return; or

8 (q) Providing information to the Legislative Research Commission under:

- 9 1. KRS 139.519 for purposes of the sales and use tax refund on building
 10 materials used for disaster recovery;
- 11 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 12 3. KRS 141.437 for purposes of the ENERGY STAR home and the
 13 ENERGY STAR manufactured home credits;
- 14 4. Section 8 of this Act for purposes of the distilled spirits credit; or
- 15 5. Section 1 of this Act for purposes of the unemployment credit.

16 ~~(3) [(2) — The commissioner shall make available any information for official use only~~
 17 ~~and on a confidential basis to the proper officer, agency, board or commission of~~
 18 ~~this state, any Kentucky county, any Kentucky city, any other state, or the federal~~
 19 ~~government, under reciprocal agreements whereby the department shall receive~~
 20 ~~similar or useful information in return.~~

21 ~~(3) — Statistics of tax paid gasoline gallonage reported monthly to the department of~~
 22 ~~Revenue under the gasoline excise tax law may be made public by the department.~~

23 ~~(4) Access to and inspection of information received from the Internal Revenue Service~~
 24 ~~is for department [of Revenue] use only, and is restricted to tax administration~~
 25 ~~purposes. [Notwithstanding the provisions of this section to the contrary,]~~
 26 ~~Information received from the Internal Revenue Service shall not be made available~~
 27 ~~to any other agency of state government, or any county, city, or other state, and shall~~

1 not be inspected intentionally and without authorization by any present secretary or
 2 employee of the Finance and Administration Cabinet, commissioner or employee of
 3 the department~~[of Revenue]~~, or any other person.

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

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

18 ~~(7) Notwithstanding any other provision of the Kentucky Revised Statutes, The
 19 department may divulge to the applicable school districts on a confidential basis any
 20 utility gross receipts license tax return information that is necessary to administer
 21 the provisions of KRS 160.613 to 160.617.]~~

22 ➔Section 4. KRS 131.135 is amended to read as follows:

23 ~~[(1)]~~Each employer subject to KRS Chapter 342 shall file annually with the
 24 department~~[of Revenue]~~, in accordance with administrative regulations, a report
 25 providing the policy number and the name and address of the employer's workers'
 26 compensation insurance carrier.}

27 ~~(2) The report may be made available to other state agencies notwithstanding the~~

1 ~~confidentiality provisions of KRS 131.190.]~~

2 ➔Section 5. KRS 131.618 is amended to read as follows:

3 (1) ~~[Notwithstanding KRS 131.190,]~~The commissioner is authorized to disclose to the
4 Attorney General the name and address of a stamping agent or distributor and the
5 number of sticks by brand name that have been purchased from a nonparticipating
6 manufacturer and have been stamped with Kentucky stamps by that agent or
7 distributor. The Attorney General may share this information with federal, other
8 state, or local agencies only for the purposes of enforcement of KRS 131.600 to
9 131.630 or corresponding laws of other states. The Attorney General is further
10 authorized to disclose to a nonparticipating manufacturer or its importers this
11 information that has been provided by a stamping agent regarding the purchases
12 from that nonparticipating manufacturer or its importers. This information provided
13 by a stamping agent may be used in any enforcement action against the
14 nonparticipating manufacturer or its importers by the Attorney General.

15 (2) In addition to the information required to be submitted pursuant to KRS 131.608,
16 131.614, and 131.620, the Attorney General or the commissioner may require a
17 stamping agent, distributor, participating manufacturer, nonparticipating
18 manufacturer, or a nonparticipating manufacturer's importers to submit any
19 additional information including but not limited to samples of the packaging or
20 labeling of each brand family as is necessary to enable the Attorney General to
21 determine whether the participating manufacturer or the nonparticipating
22 manufacturer and its importers are in compliance with KRS 131.600 to 131.630.

23 ➔Section 6. KRS 131.650 is amended to read as follows:

24 (1) ~~[Notwithstanding the provisions of KRS 131.190 or any other confidentiality law to~~
25 ~~the contrary,]~~The department may publish a list or lists of taxpayers that owe
26 delinquent taxes or fees administered by the department~~[of Revenue]~~, and that meet
27 the requirements of KRS 131.652.

- 1 (2) For purposes of this section, a taxpayer may be included on a list if:
- 2 (a) The taxes or fees owed remain unpaid at least forty-five (45) days after the
- 3 dates they became due and payable; and
- 4 (b) A tax lien or judgment lien has been filed of public record against the taxpayer
- 5 before notice is given under KRS 131.654.
- 6 (3) In the case of listed taxpayers that are business entities, the department ~~of~~
- 7 ~~Revenue~~ may also list the names of responsible persons assessed pursuant to KRS
- 8 136.565, 138.885, 139.185, 141.340, and 142.357 for listed liabilities, who are not
- 9 protected from publication by subsection (2) of this section, and for whom the
- 10 requirements of KRS 131.652 are satisfied with regard to the personal assessment.
- 11 (4) Before any list is published under this section, the department shall document that
- 12 each of the conditions for publication as provided in this section has been satisfied,
- 13 and that procedures were followed to ensure the accuracy of the list and notice was
- 14 given to the affected taxpayers.
- 15 ➔Section 7. KRS 131.990 is amended to read as follows:
- 16 (1) Any person who fails or refuses to obey a subpoena or order of the Kentucky Board
- 17 of Tax Appeals made pursuant to KRS Chapter 13B shall be fined not less than
- 18 twenty-five dollars (\$25) nor more than five hundred dollars (\$500).
- 19 (2) (a) Any person who violates the intentional unauthorized inspection provisions of
- 20 KRS 131.190(1) shall be fined not more than five hundred dollars (\$500) or
- 21 imprisoned for not more than six (6) months, or both.
- 22 (b) Any person who violates the provisions of KRS 131.190(1) by divulging
- 23 confidential taxpayer information shall be fined not more than one thousand
- 24 dollars (\$1,000) or imprisoned for not more than one (1) year, or both.
- 25 (c) Any person who violates the intentional unauthorized inspection provisions of
- 26 KRS 131.190~~(3)~~~~(4)~~ shall be fined not more than one thousand dollars
- 27 (\$1,000) or imprisoned for not more than one (1) year, or both.

- 1 (d) Any person who violates the provisions of KRS 131.190~~(3)~~~~(4)~~ by divulging
2 confidential taxpayer information shall be fined not more than five thousand
3 dollars (\$5,000) or imprisoned for not more than five (5) years, or both.
- 4 (e) Any present secretary or employee of the Finance and Administration Cabinet,
5 commissioner or employee of the department, member of a county board of
6 assessment appeals, property valuation administrator or employee, or any
7 other person, who violates the provisions of KRS 131.190(1) or ~~(3)~~~~(4)~~ may,
8 in addition to the penalties imposed under this subsection, be disqualified and
9 removed from office or employment.
- 10 (3) Any person who willfully fails to comply with the rules and regulations
11 promulgated by the department for the administration of delinquent tax collections
12 shall be fined not less than twenty dollars (\$20) nor more than one thousand dollars
13 (\$1,000).
- 14 (4) Any person who fails to do any act required or does any act forbidden by KRS
15 131.210 shall be fined not less than ten dollars (\$10) nor more than five hundred
16 dollars (\$500).
- 17 (5) Any person who fails to comply with the provisions of KRS 131.155 shall, unless it
18 is shown to the satisfaction of the department that the failure is due to reasonable
19 cause, pay a penalty of one-half of one percent (0.5%) of the amount that should
20 have been remitted under the provisions of KRS 131.155 for each failure to comply.
- 21 (6) (a) Any person or financial institution that fails to comply with the provisions of
22 KRS 131.672 and 131.674 within ninety (90) days after notification by the
23 department shall, unless the failure is due to reasonable cause as defined in
24 KRS 131.010, be fined not less than one thousand dollars (\$1,000) and no
25 more than five thousand dollars (\$5,000) for each full month of
26 noncompliance. The fine shall begin on the first day of the month beginning
27 after the expiration of the ninety (90) days.

1 (b) Any financial institution that fails or refuses to comply with the provisions of
2 KRS 131.672 and 131.674 within one hundred twenty (120) days after the
3 notification by the department shall, unless the failure is due to reasonable
4 cause as defined in KRS 131.010, forfeit its right to do business within the
5 Commonwealth, unless and until the financial institution is in compliance.
6 Upon notification by the department, the commissioner of the Department of
7 Financial Institutions shall, as applicable, revoke the authority of the financial
8 institution or its agents to do business in the Commonwealth.

9 (7) Any taxpayer or tax return preparer who fails or refuses to comply with the
10 provisions of KRS 131.250 or an administrative regulation promulgated under KRS
11 131.250 shall, unless it is shown to the satisfaction of the department that the failure
12 is due to reasonable cause, pay a return processing fee of ten dollars (\$10) for each
13 return not filed as required.

14 ➔Section 8. KRS 141.389 is amended to read as follows:

15 (1) (a) There shall be allowed a nonrefundable and nontransferable credit to each
16 taxpayer paying the distilled spirits ad valorem tax as follows:

17 1. For taxable years beginning on or after January 1, 2015, and before
18 December 31, 2015, the credit shall be equal to twenty percent (20%) of
19 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
20 timely basis;

21 2. For taxable years beginning on or after January 1, 2016, and before
22 December 31, 2016, the credit shall be equal to forty percent (40%) of
23 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
24 timely basis;

25 3. For taxable years beginning on or after January 1, 2017, and before
26 December 31, 2017, the credit shall be equal to sixty percent (60%) of
27 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a

- 1 timely basis;
- 2 4. For taxable years beginning on or after January 1, 2018, and before
- 3 December 31, 2018, the credit shall be equal to eighty percent (80%) of
- 4 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
- 5 timely basis; and
- 6 5. For taxable years beginning on or after January 1, 2019, the credit shall
- 7 be equal to one hundred percent (100%) of the tax assessed under KRS
- 8 132.160 and paid under KRS 132.180 on a timely basis.
- 9 (b) The credit shall be applied both to the income tax imposed under KRS
- 10 141.020 or 141.040 and to the limited liability entity tax imposed under KRS
- 11 141.0401, with the ordering of the credits as provided in KRS 141.0205.
- 12 (2) The amount of distilled spirits credit allowed under subsection (1) of this section
- 13 shall be used only for capital improvements at the premises of the distiller licensed
- 14 pursuant to KRS Chapter 243. As used in this subsection, "capital improvement"
- 15 means any costs associated with:
- 16 (a) Construction, replacement, or remodeling of warehouses or facilities;
- 17 (b) Purchases of barrels and pallets used for the storage and aging of distilled
- 18 spirits in maturing warehouses;
- 19 (c) Acquisition, construction, or installation of equipment for the use in the
- 20 manufacture, bottling, or shipment of distilled spirits;
- 21 (d) Addition or replacement of access roads or parking facilities; and
- 22 (e) Construction, replacement, or remodeling of facilities to market or promote
- 23 tourism, including but not limited to a visitor's center.
- 24 (3) The distilled spirits credit allowed under subsection (1) of this section:
- 25 (a) May be accumulated for multiple taxable years;
- 26 (b) Shall be claimed on the return of the taxpayer filed for the taxable year during
- 27 which the credits were used pursuant to subsection (2) of this section; and

- 1 (c) Shall not include:
- 2 1. Any delinquent tax paid to the Commonwealth; or
- 3 2. Any interest, fees, or penalty paid to the Commonwealth.
- 4 (4) (a) Before the distilled spirits credit shall be allowed on any return, the capital
- 5 improvements required by subsection (2) of this section shall be completed
- 6 and specifically associated with the credit allowed on the return.
- 7 (b) The amount of distilled spirits credit allowed shall be recaptured if the capital
- 8 improvement associated with the credit is sold or otherwise disposed of prior
- 9 to the exhaustion of the useful life of the asset for Kentucky depreciation
- 10 purposes.
- 11 (c) If the allowed credit is associated with multiple capital improvements, and not
- 12 all capital improvements are sold or otherwise disposed of, the distilled spirits
- 13 credit shall be prorated based on the cost of the capital improvement sold over
- 14 the total cost of all improvements associated with the credit.
- 15 (5) If the taxpayer is a pass-through entity, the taxpayer may apply the credit against the
- 16 limited liability entity tax imposed by KRS 141.0401, and shall pass the credit
- 17 through to its members, partners, or shareholders in the same proportion as the
- 18 distributive share of income or loss is passed through.
- 19 (6) The department may promulgate an administrative regulation pursuant to KRS
- 20 Chapter 13A to implement the allowable credit under this section, require the filing
- 21 of forms designed by the department, and require specific information for the
- 22 evaluation of the credit taken by any taxpayer.
- 23 (7) ~~[Notwithstanding KRS 131.190,]~~ No later than September 1, 2016, and annually
- 24 thereafter, the department shall report to the Interim Joint Committee on
- 25 Appropriations and Revenue:
- 26 (a) The name of each taxpayer taking the credit permitted by subsection (1) of
- 27 this section;

- 1 (b) The amount of credit taken by that taxpayer; and
2 (c) The type of capital improvement made for which the credit is claimed.

3 ➔Section 9. KRS 131.020 is amended to read as follows:

4 (1) The department~~[of Revenue]~~, headed by a commissioner appointed by the secretary
5 with the approval of the Governor, shall be organized into the following functional
6 units:

7 (a) Office of the Commissioner~~[of the Department of Revenue]~~, which shall
8 consist of:

9 1. The Division of Special Investigations, headed by a division director
10 who shall report to the commissioner. The division shall investigate
11 alleged violations of the tax laws and recommend criminal prosecution
12 of the laws as warranted; and

13 2. The Division of Taxpayer Ombudsman, headed by a division director
14 who is appointed by the secretary pursuant to KRS 12.050, and who
15 shall report to the commissioner. The division shall perform those duties
16 set out in KRS 131.083;

17 (b) Office of Processing and Enforcement, headed by an executive director who
18 shall report directly to the commissioner. The office shall be responsible for
19 processing documents, depositing funds, collecting debt payments, and
20 coordinating, planning, and implementing a data integrity strategy. The office
21 shall consist of the:

22 1. Division of Operations, which shall be responsible for opening all tax
23 returns, preparing the returns for data capture, coordinating the data
24 capture process, depositing receipts, maintaining tax data, and assisting
25 other state agencies with similar operational aspects as negotiated
26 between the department and the other agency;

27 2. Division of Collections, which shall be responsible for initiating all

- 1 collection enforcement activity related to due and owing tax
2 assessments, including protest resolution, and for assisting other state
3 agencies with similar collection aspects as negotiated between the
4 department and the other state agency;
- 5 3. Division of Registration and Data Integrity, which shall be responsible
6 for registering businesses for tax purposes, ensuring that the data entered
7 into the department's tax systems is accurate and complete, and assisting
8 the taxing areas in proper procedures to ensure the accuracy of the data
9 over time; and
- 10 4. Division of Protest Resolution, which shall be responsible for ensuring
11 an independent review of tax disputes. The division shall administer the
12 protest functions for the department from office resolution through court
13 action;
- 14 (c) Office of Property Valuation, ~~[- The Office of Property Valuation shall be]~~
15 headed by an executive director who shall report directly to the commissioner.
16 The office shall consist of the:
- 17 1. Division of Local Support, which shall be responsible for providing
18 supervision, assistance, and training to the property valuation
19 administrators and sheriffs within the Commonwealth;
- 20 2. Division of State Valuation, which shall be responsible for providing
21 assessments of public service companies and motor vehicles, and
22 providing assistance to property valuation administrators and sheriffs
23 with the administration of tangible and omitted property taxes within the
24 Commonwealth; and
- 25 3. Division of Minerals Taxation and Geographical Information System
26 Services, which shall be responsible for providing geographical
27 information system mapping support, ensuring proper filing of severance

1 tax returns, ensuring consistency of unmined coal assessments, and
2 gathering and providing data to properly assess minerals to the property
3 valuation administrators within the Commonwealth;

4 (d) Office of Sales and Excise Taxes, headed by an executive director who shall
5 report directly to the commissioner. The office shall administer all matters
6 relating to sales and use taxes and miscellaneous excise taxes, including but
7 not limited to technical tax research, compliance, taxpayer assistance, tax-
8 specific training, and publications. The office shall consist of the:

- 9 1. Division of Sales and Use Tax, which shall administer the sales and use
10 tax; and
- 11 2. Division of Miscellaneous Taxes, which shall administer various other
12 taxes, including but not limited to alcoholic beverage taxes; cigarette
13 enforcement fees, stamps, meters, and taxes; gasoline tax; bank
14 franchise tax; inheritance and estate tax; insurance premiums and
15 insurance surcharge taxes; motor vehicle tire fees and usage taxes; and
16 special fuels taxes;

17 (e) Office of Income Taxation, headed by an executive director who shall report
18 directly to the commissioner. The office shall administer all matters related to
19 income and corporation license taxes, including technical tax research,
20 compliance, taxpayer assistance, tax-specific training, and publications. The
21 office shall consist of the:

- 22 1. Division of Individual Income Tax, which shall administer the following
23 taxes or returns: individual income, fiduciary, and employer
24 withholding; and
- 25 2. Division of Corporation Tax, which shall administer the corporation
26 income tax, corporation license tax, pass-through entity withholding,
27 and pass-through entity reporting requirements; and

- 1 (f) Office of Field Operations, headed by an executive director who shall report
2 directly to the commissioner. The office shall manage the regional taxpayer
3 service centers and the field audit program.
- 4 (2) The functions and duties of the department shall include conducting conferences,
5 administering taxpayer protests, and settling tax controversies on a fair and
6 equitable basis, taking into consideration the hazards of litigation to the
7 Commonwealth of Kentucky and the taxpayer. The mission of the department shall
8 be to afford an opportunity for taxpayers to have an independent informal review of
9 the determinations of the audit functions of the department, and to attempt to fairly
10 and equitably resolve tax controversies at the administrative level.
- 11 (3) The department shall maintain an accounting structure for the one hundred twenty
12 (120) property valuation administrators' offices across the Commonwealth in order
13 to facilitate use of the state payroll system and the budgeting process.
- 14 (4) Except as provided in KRS 131.190(~~3~~)(~~4~~), the department shall fully cooperate
15 with and make tax information available as prescribed under KRS 131.190(2)(p) to
16 the Governor's Office for Economic Analysis as necessary for the office to perform
17 the tax administration function established in KRS 42.410.
- 18 (5) Executive directors and division directors established under this section shall be
19 appointed by the secretary with the approval of the Governor.