

1 AN ACT relating to the rural hospital tax credit.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO
4 READ AS FOLLOWS:

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

6 *(a) "Rural county" means a county within the Commonwealth having a*
7 *population of less than fifty thousand (50,000) according to the most recent*
8 *United States decennial census, except that for counties which contain a*
9 *military base or installation, the military personnel and their dependents*
10 *living in that county shall be excluded from the total population of the*
11 *county for purposes of this definition; and*

12 *(b) "Rural hospital organization" means an acute care hospital as defined in*
13 *KRS 205.639, if that hospital:*

14 *1. Provides inpatient hospital services at a facility located in a rural*
15 *county;*

16 *2. Participates in both Medicaid and Medicare and accepts both*
17 *Medicaid and Medicare patients;*

18 *3. Provides health care services to indigent patients;*

19 *4. Has at least ten percent (10%) of its annual net revenue categorized as*
20 *indigent care, charity care, or bad debt;*

21 *5. Has been designated as a tax-exempt organization under Section*
22 *501(c)(3) of the Internal Revenue Code; and*

23 *6. Does not have a margin above expenses of greater than fifteen percent*
24 *(15%).*

25 *(2) (a) For taxable years beginning on or after January 1, 2022, but before*
26 *January 1, 2026, a taxpayer shall be allowed a nonrefundable,*
27 *nontransferable rural hospital donation tax credit against the taxes imposed*

1 in KRS 141.020 or 141.040 and 141.0401, with the ordering of the credits
2 under Section 2 of this Act.

3 **(b) The tax credit shall be equal to the amount of donation made to a rural**
4 **hospital organization, except:**

5 **1. The maximum credit awarded to:**

6 **a. A taxpayer other than a corporation in a calendar year shall not**
7 **exceed five thousand dollars (\$5,000); and**

8 **b. A corporation in a calendar year shall not exceed ten thousand**
9 **dollars (\$10,000); and**

10 **2. The aggregate total of tax credits awarded in a calendar year shall not**
11 **exceed twenty million dollars (\$20,000,000).**

12 **(c) The maximum amount of credit that may be claimed in a taxable year shall**
13 **not exceed seventy-five percent (75%) of the total income tax liability, which**
14 **would be otherwise due for that taxable year.**

15 **(d) Any unused tax credit shall be allowed against the succeeding five (5) years**
16 **of tax liability.**

17 **(3) (a) By December 1, 2021, and by December 1 of each year thereafter as long as**
18 **the credit is available, a hospital wishing to accept donations during the**
19 **immediately succeeding calendar year shall certify to the department that**
20 **the hospital qualifies as a rural hospital organization.**

21 **(b) Upon certification that a hospital qualifies as a rural hospital organization,**
22 **the department shall publish a list of qualified rural hospital organizations**
23 **for that calendar year.**

24 **(4) (a) Any taxpayer wishing to make a donation to a rural hospital organization**
25 **shall apply to the department with an intent to make a donation.**

26 **(b) Within thirty (30) days of applying to the department with an intent to make**
27 **a donation, the taxpayer shall:**

- 1 1. Remit the donation to the rural hospital organization; and
2 2. Certify to the department that the donation has been made.
- 3 (5) The department may promulgate administrative regulations related to the
4 administration of this tax credit.
- 5 (6) The purpose of this tax credit is to create a revenue source for rural hospital
6 organizations, the intent of which is to assist with the actual costs that are
7 incurred by the rural hospital organization but are not covered by Medicaid
8 patients.
- 9 (7) (a) In order for the General Assembly to evaluate the fulfillment of the purpose
10 stated in subsection (6) of this section, the department shall provide the
11 following information on a cumulative basis for each taxable year to
12 provide a historical impact of the tax credit to the Commonwealth:
- 13 1. The name and address for each taxpayer claiming the tax credit;
14 2. The entity type of that taxpayer;
15 3. The name of the rural hospital organization which received the
16 donation related to the tax credit claimed by that taxpayer;
17 4. The amount of the donation made;
18 5. The amount of tax credit claimed by that taxpayer;
19 6. The amount of credit that the taxpayer has available for carry forward
20 to a future year;
21 7. Related to that calendar year, the amount of carry forward from a
22 prior year that is utilized by that taxpayer;
23 8. In the case of all taxpayers other than corporations, based on ranges
24 of adjusted gross income of no larger than five thousand dollars
25 (\$5,000) for the taxable year, the total amount of tax credits claimed
26 and the number of returns claiming a tax credit for each adjusted
27 gross income range; and

1 **9. In the case of all corporations, based on ranges of net income no**
2 **larger than fifty thousand dollars (\$50,000) for the taxable year, the**
3 **total amount of tax credit claimed and the number of returns claiming**
4 **a tax credit for each net income range.**

5 **(b) The report required by paragraph (a) of this subsection shall be submitted**
6 **to the Interim Joint Committee on Appropriations and Revenue beginning**
7 **no later than November 1, 2023, and no later than each November 1**
8 **thereafter, as long as the credit is claimed on any return processed by the**
9 **department.**

10 ➔Section 2. KRS 141.0205 is amended to read as follows:

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

14 (1) The nonrefundable business incentive credits against the tax imposed by KRS
15 141.020 shall be taken in the following order:

- 16 (a) The limited liability entity tax credit permitted by KRS 141.0401;
- 17 (b) The economic development credits computed under KRS 141.347, 141.381,
18 141.384, 141.3841, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-
19 207, and 154.12-2088;
- 20 (c) The qualified farming operation credit permitted by KRS 141.412;
- 21 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 22 (e) The health insurance credit permitted by KRS 141.062;
- 23 (f) The tax paid to other states credit permitted by KRS 141.070;
- 24 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 25 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 26 (i) The tax credit for cash contributions in investment funds permitted by KRS
27 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS

- 1 154.20-258;
- 2 (j) The research facilities credit permitted by KRS 141.395;
- 3 (k) The employer High School Equivalency Diploma program incentive credit
- 4 permitted under KRS 151B.402;
- 5 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 6 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 7 (n) The clean coal incentive credit permitted by KRS 141.428;
- 8 (o) The ethanol credit permitted by KRS 141.4242;
- 9 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 10 (q) The energy efficiency credits permitted by KRS 141.436;
- 11 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 12 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 13 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 14 (u) The distilled spirits credit permitted by KRS 141.389;
- 15 (v) The angel investor credit permitted by KRS 141.396;
- 16 (w) The film industry credit permitted by KRS 141.383 for applications approved
- 17 on or after April 27, 2018;
- 18 (x) The inventory credit permitted by KRS 141.408; and
- 19 (y) The renewable chemical production credit permitted by KRS 141.4231.
- 20 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 21 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 22 shall be taken in the following order:
- 23 (a) The individual credits permitted by KRS 141.020(3);
- 24 (b) The credit permitted by KRS 141.066;
- 25 (c) The tuition credit permitted by KRS 141.069;
- 26 (d) The household and dependent care credit permitted by KRS 141.067;~~and~~
- 27 (e) The income gap credit permitted by KRS 141.066; **and**

1 **(f) The rural hospital organization donation credit permitted by Section 1 of**
2 **this Act.**

- 3 (3) After the application of the nonrefundable credits provided for in subsection (2) of
4 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
5 taken in the following order:
- 6 (a) The individual withholding tax credit permitted by KRS 141.350;
 - 7 (b) The individual estimated tax payment credit permitted by KRS 141.305;
 - 8 (c) The certified rehabilitation credit permitted by KRS 171.3961 and
9 171.397(1)(b); and
 - 10 (d) The film industry tax credit permitted by KRS 141.383 for applications
11 approved prior to April 27, 2018.
- 12 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
13 tax imposed by KRS 141.040.
- 14 (5) The following nonrefundable credits shall be applied against the sum of the tax
15 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
16 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 17 (a) The economic development credits computed under KRS 141.347, 141.381,
18 141.384, 141.3841, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-
19 207, and 154.12-2088;
 - 20 (b) The qualified farming operation credit permitted by KRS 141.412;
 - 21 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
 - 22 (d) The health insurance credit permitted by KRS 141.062;
 - 23 (e) The unemployment credit permitted by KRS 141.065;
 - 24 (f) The recycling or composting equipment credit permitted by KRS 141.390;
 - 25 (g) The coal conversion credit permitted by KRS 141.041;
 - 26 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
27 ending prior to January 1, 2008;

- 1 (i) The tax credit for cash contributions to investment funds permitted by KRS
2 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
3 154.20-258;
- 4 (j) The research facilities credit permitted by KRS 141.395;
- 5 (k) The employer High School Equivalency Diploma program incentive credit
6 permitted by KRS 151B.402;
- 7 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 8 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 9 (n) The clean coal incentive credit permitted by KRS 141.428;
- 10 (o) The ethanol credit permitted by KRS 141.4242;
- 11 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 12 (q) The energy efficiency credits permitted by KRS 141.436;
- 13 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
14 permitted by KRS 141.437;
- 15 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 16 (t) The railroad expansion credit permitted by KRS 141.386;
- 17 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 18 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 19 (w) The distilled spirits credit permitted by KRS 141.389;
- 20 (x) The film industry credit permitted by KRS 141.383 for applications approved
21 on or after April 27, 2018;
- 22 (y) The inventory credit permitted by KRS 141.408;~~and~~
- 23 (z) The renewable chemical production tax credit permitted by KRS 141.4231;
24 **and**
- 25 **(aa) The rural hospital organization donation credit permitted by Section 1 of this**
26 **Act.**
- 27 (6) After the application of the nonrefundable credits in subsection (5) of this section,

1 the refundable credits shall be taken in the following order:

- 2 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
3 (b) The certified rehabilitation credit permitted by KRS 171.3961 and
4 171.397(1)(b); and
5 (c) The film industry tax credit permitted by KRS 141.383 for applications
6 approved prior to April 27, 2018.

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

- 8 (1) No present or former commissioner or employee of the department, present or
9 former member of a county board of assessment appeals, present or former property
10 valuation administrator or employee, present or former secretary or employee of the
11 Finance and Administration Cabinet, former secretary or employee of the Revenue
12 Cabinet, or any other person, shall intentionally and without authorization inspect or
13 divulge any information acquired by him of the affairs of any person, or information
14 regarding the tax schedules, returns, or reports required to be filed with the
15 department or other proper officer, or any information produced by a hearing or
16 investigation, insofar as the information may have to do with the affairs of the
17 person's business.
- 18 (2) The prohibition established by subsection (1) of this section shall not extend to:
- 19 (a) Information required in prosecutions for making false reports or returns of
20 property for taxation, or any other infraction of the tax laws;
- 21 (b) Any matter properly entered upon any assessment record, or in any way made
22 a matter of public record;
- 23 (c) Furnishing any taxpayer or his properly authorized agent with information
24 respecting his own return;
- 25 (d) Testimony provided by the commissioner or any employee of the department
26 in any court, or the introduction as evidence of returns or reports filed with the
27 department, in an action for violation of state or federal tax laws or in any

- 1 action challenging state or federal tax laws;
- 2 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or
3 energy resources assessed under KRS 132.820, or owners of surface land
4 under which the unmined minerals lie, factual information about the owner's
5 property derived from third-party returns filed for that owner's property, under
6 the provisions of KRS 132.820, that is used to determine the owner's
7 assessment. This information shall be provided to the owner on a confidential
8 basis, and the owner shall be subject to the penalties provided in KRS
9 131.990(2). The third-party filer shall be given prior notice of any disclosure
10 of information to the owner that was provided by the third-party filer;
- 11 (f) Providing to a third-party purchaser pursuant to an order entered in a
12 foreclosure action filed in a court of competent jurisdiction, factual
13 information related to the owner or lessee of coal, oil, gas reserves, or any
14 other mineral resources assessed under KRS 132.820. The department may
15 promulgate an administrative regulation establishing a fee schedule for the
16 provision of the information described in this paragraph. Any fee imposed
17 shall not exceed the greater of the actual cost of providing the information or
18 ten dollars (\$10);
- 19 (g) Providing information to a licensing agency, the Transportation Cabinet, or
20 the Kentucky Supreme Court under KRS 131.1817;
- 21 (h) Statistics of gasoline and special fuels gallonage reported to the department
22 under KRS 138.210 to 138.448;
- 23 (i) Providing any utility gross receipts license tax return information that is
24 necessary to administer the provisions of KRS 160.613 to 160.617 to
25 applicable school districts on a confidential basis;
- 26 (j) Providing documents, data, or other information to a third party pursuant to an
27 order issued by a court of competent jurisdiction; or

- 1 (k) Providing information to the Legislative Research Commission under:
- 2 1. KRS 139.519 for purposes of the sales and use tax refund on building
- 3 materials used for disaster recovery;
- 4 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 5 3. KRS 141.437 for purposes of the ENERGY STAR home and the
- 6 ENERGY STAR manufactured home credits;
- 7 4. KRS 148.544 for purposes of the film industry incentives;
- 8 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization
- 9 tax credits and the job assessment fees;
- 10 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 11 7. KRS 141.396 for purposes of the angel investor tax credit;
- 12 8. KRS 141.389 for purposes of the distilled spirits credit;
- 13 9. KRS 141.408 for purposes of the inventory credit;
- 14 10. KRS 141.390 for purposes of the recycling and composting credit;
- 15 11. KRS 141.3841 for purposes of the selling farmer tax credit;~~and~~
- 16 12. KRS 141.4231 for purposes of the renewable chemical production tax
- 17 credit; and

18 **13. Section 1 of this Act for purposes of the rural hospital organization**

19 **donation credit.**

20 (3) The commissioner shall make available any information for official use only and on

21 a confidential basis to the proper officer, agency, board or commission of this state,

22 any Kentucky county, any Kentucky city, any other state, or the federal government,

23 under reciprocal agreements whereby the department shall receive similar or useful

24 information in return.

25 (4) Access to and inspection of information received from the Internal Revenue Service

26 is for department use only, and is restricted to tax administration purposes.

27 Information received from the Internal Revenue Service shall not be made available

1 to any other agency of state government, or any county, city, or other state, and shall
2 not be inspected intentionally and without authorization by any present secretary or
3 employee of the Finance and Administration Cabinet, commissioner or employee of
4 the department, or any other person.

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

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