

1 AN ACT relating to recycling and making an appropriation therefor.

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

3 ➔SECTION 1. A NEW SECTION OF SUBCHAPTER 43 OF KRS CHAPTER
4 224 IS CREATED TO READ AS FOLLOWS:

5 *As used in Sections 1 to 4 of this Act:*

6 *(1) (a) "Beverage" means any of the following products or mixture of the*
7 *following products if the products are in liquid, ready-to-drink form, and*
8 *intended for human consumption:*

9 *1. Beer or other malt beverages;*

10 *2. Carbonated soft drinks;*

11 *3. Carbonated or noncarbonated water;*

12 *4. Wine and distilled spirits;*

13 *5. Fruit or vegetable juices and drinks, except as provided in paragraph*
14 *(b) of this subsection;*

15 *6. Sport drinks; and*

16 *7. Coffee and tea drinks;*

17 *(b) "Beverage" does not include the following products:*

18 *1. Infant formulas, cereals, and juices; or*

19 *2. Milk.*

20 *(2) "Cabinet" means the Energy and Environment Cabinet;*

21 *(3) "Consumer" means any person who purchases a beverage in a container in the*
22 *Commonwealth for use or consumption. "Consumer" also includes any owner of*
23 *a lodging, eating, or drinking establishment in the Commonwealth that sells*
24 *beverages in containers for consumption on the premises;*

25 *(4) "Container" means an individual bottle, can, jar, or other receptacle with a*
26 *capacity of four (4) or more fluid ounces but less than sixty-four (64) fluid*
27 *ounces, in which a sealed beverage is sold, and which is constructed of metal,*

1 glass, plastic, paper, or any combination of these materials. "Container" does not
 2 include any refillable container;

3 (5) "Distributor" means any person who engages in the sale of containers, including
 4 any manufacturer if the manufacturer engages in these sales;

5 (6) "Handling fee" means a per-container payment made to redemption centers;

6 (7) "Manufacturer" means any person who bottles, cans, or otherwise fills
 7 containers for sale to distributors or retailers;

8 (8) "Redemption center" means any facility that collects empty beverage containers
 9 for redemption, including facilities that are not operated by retailers;

10 (9) "Refillable container" means any container that is:

11 (a) Capable of being refilled one (1) or more times; and

12 (b) Distributed by a distributor that operates or has arranged for the operation
 13 of a facility and system that processes and refills all returned refillable
 14 containers sold by that distributor in the Commonwealth;

15 (10) "Retailer" means any person in this Commonwealth who engages in the sale of
 16 beverages in containers to a consumer. "Retailer" does not include a restaurant
 17 as defined in KRS 241.010 or an operator of a vending machine; and

18 (11) "Scrap value" means the price paid for redeemed containers by a purchaser for
 19 sale or transfer to an end user or broker.

20 ➔SECTION 2. A NEW SECTION OF SUBCHAPTER 43 OF KRS CHAPTER
 21 224 IS CREATED TO READ AS FOLLOWS:

22 (1) Every beverage container sold or offered for sale in the Commonwealth shall
 23 have a minimum refundable deposit value of ten cents (\$0.10).

24 (2) A distributor shall only sell beverage containers for distribution in the
 25 Commonwealth that clearly show, by engraving, stamping, labeling, or other
 26 method securely affixed to the container, Kentucky's minimum refundable
 27 deposit value for the container and the name of the distributor that has collected

1 the initial minimum refundable deposit for the beverage container.

2 (3) Every distributor shall collect the minimum refundable deposit from the retailer
3 or consumer at the time of sale for each beverage container it sells within the
4 Commonwealth.

5 (4) Every retailer shall include the cost of the minimum refundable deposit at the
6 time of sale for any beverage in a container for which a refundable deposit was
7 collected.

8 (5) The minimum refundable deposit collected under subsection (3) of this section or
9 charged under subsection (4) of this section shall be exempt from the local
10 occupational tax levied under KRS 67.750 to 67.790 and the sales and use tax
11 imposed under KRS Chapter 139.

12 ➔SECTION 3. A NEW SECTION OF SUBCHAPTER 43 OF KRS CHAPTER
13 224 IS CREATED TO READ AS FOLLOWS:

14 (1) A retailer that regularly sells beverages in containers for consumption outside of
15 the retailer's premises shall provide or contract to provide on its premises, or
16 within one (1) mile of the premises where the sales are made, a redemption center
17 where a beverage container of any kind offered for sale by the retailer may be
18 returned by a consumer for a cash refund of its minimum refundable deposit
19 amount. Except as provided in this section, an eligible beverage container shall
20 be accepted for redemption at any redemption center, regardless of whether the
21 container was sold by that retailer or if the person seeking the deposit redemption
22 is a customer of the retailer, as long as the beverage container is of any kind
23 offered for sale by the retailer.

24 (2) At least quarterly, a distributor shall refund a retailer or redemption center
25 operator the minimum refundable deposit amount for each redeemed beverage
26 container it has collected that is of any kind it has sold for distribution in the
27 Commonwealth. Additionally, the distributor shall pay a two cent (\$0.02)

1 handling fee to the retailer or redemption center operator for each beverage
 2 container redeemed.

3 (3) No redemption center shall pay and no person shall knowingly receive a
 4 minimum refund value for an empty beverage container that:

5 (a) Has already been redeemed;

6 (b) Has been imported from another state; or

7 (c) Does not have stated on it the minimum refund value and state
 8 identification as provided for in Section 2 of this Act.

9 (4) A redemption center may refuse to accept and refund the minimum refundable
 10 deposit of any container that:

11 (a) Does not have stated on it the minimum refundable deposit value and state
 12 identification as provided for in Section 2 of this Act; or

13 (b) Bears an indication that it has already been redeemed and its minimum
 14 refundable deposit has already been refunded.

15 (5) A redemption center may refuse to accept any container that is broken, dirty, or
 16 contains material other than the normal contents of the container.

17 (6) A redemption center located on a retailer's premises may refuse to accept more
 18 than one hundred forty-four (144) beverage containers during a twenty-four (24)
 19 hour period from one (1) person.

20 (7) A redemption center not located on a retailer's premises may refuse to accept
 21 more than two hundred eighty-eight (288) beverage containers during a twenty-
 22 four (24) hour period from one (1) person.

23 ➔SECTION 4. A NEW SECTION OF SUBCHAPTER 43 OF KRS CHAPTER
 24 224 IS CREATED TO READ AS FOLLOWS:

25 (1) The cabinet shall promulgate administrative regulations in pursuant to KRS
 26 Chapter 13A to carry out Sections 1 to 4 of this Act. The administrative
 27 regulations shall include, at a minimum, operating requirements for redemption

1 centers, including reporting requirements for the numbers, types, and sizes of
 2 redeemed containers.

3 (2) On or before February 1, 2023, and every February 1 thereafter, each distributor
 4 shall pay to the cabinet any excess minimum refund deposit amounts it collected
 5 in the previous calendar year that were not paid to redemption centers. The
 6 payment of excess refundable deposit moneys shall be accompanied by a report
 7 that includes the amount of refundable deposits collected and refunded, the
 8 amount paid in handling fees, the amount of unrefunded deposits collected for
 9 the previous calendar year, and any other information that the cabinet may
 10 prescribe by administrative regulation.

11 (3) Redemption centers and distributors may retain any scrap value they receive for
 12 redeemed beverage containers that they collect.

13 (4) All payments collected by the cabinet under this section shall be deposited in the
 14 State Treasury and credited to the Kentucky pride fund established in Section 7 of
 15 this Act.

16 ➔Section 5. KRS 67.750 is amended to read as follows:

17 As used in KRS 67.750 to 67.790, unless the context requires otherwise:

18 (1) "Business entity" means each separate corporation, limited liability company,
 19 business development corporation, partnership, limited partnership, sole
 20 proprietorship, association, joint stock company, receivership, trust, professional
 21 service organization, or other legal entity through which business is conducted;

22 (2) "Compensation" means wages, salaries, commissions, or any other form of
 23 remuneration paid or payable by an employer for services performed by an
 24 employee, which are required to be reported for federal income tax purposes and
 25 adjusted as follows:

26 (a) Include any amounts contributed by an employee to any retirement, profit
 27 sharing, or deferred compensation plan, which are deferred for federal income

- 1 tax purposes under a salary reduction agreement or similar arrangement,
2 including but not limited to salary reduction arrangements under Section
3 401(a), 401(k), 402(e), 403(a), 403(b), 408, 414(h), or 457 of the Internal
4 Revenue Code; and
- 5 (b) Include any amounts contributed by an employee to any welfare benefit, fringe
6 benefit, or other benefit plan made by salary reduction or other payment
7 method which permits employees to elect to reduce federal taxable
8 compensation under the Internal Revenue Code, including but not limited to
9 Sections 125 and 132 of the Internal Revenue Code;
- 10 (3) "Fiscal year" means "fiscal year" as defined in Section 7701(a)(24) of the Internal
11 Revenue Code;
- 12 (4) "Employee" means any person who renders services to another person or business
13 entity for compensation, including an officer of a corporation and any officer,
14 employee, or elected official of the United States, a state, or any political
15 subdivision of a state, or any agency or instrumentality of any one (1) or more of the
16 above. A person classified as an independent contractor under the Internal Revenue
17 Code shall not be considered an employee;
- 18 (5) "Employer" means "employer" as defined in Section 3401(d) of the Internal
19 Revenue Code;
- 20 (6) "Gross receipts" means all revenues or proceeds derived from the sale, lease, or
21 rental of goods, services, or property by a business entity reduced by the following:
- 22 (a) Sales and excise taxes paid;~~and~~
- 23 (b) Returns and allowances; ***and***
- 24 ***(c) Amounts paid or received as refundable deposits on beverage containers***
25 ***under Section 2 or 3 of this Act;***
- 26 (7) "Internal Revenue Code" means the Internal Revenue Code in effect on December
27 31, 2008, as amended;

- 1 (8) "Net profit" means gross income as defined in Section 61 of the Internal Revenue
2 Code minus all the deductions from gross income allowed by Chapter 1 of the
3 Internal Revenue Code, and adjusted as follows:
- 4 (a) Include any amount claimed as a deduction for state tax or local tax which is
5 computed, in whole or in part, by reference to gross or net income and which
6 is paid or accrued to any state of the United States, local taxing authority in a
7 state, the District of Columbia, the Commonwealth of Puerto Rico, any
8 territory or possession of the United States, or any foreign country or political
9 subdivision thereof;
- 10 (b) Include any amount claimed as a deduction that directly or indirectly is
11 allocable to income which is either exempt from taxation or otherwise not
12 taxed;
- 13 (c) Include any amount claimed as a net operating loss carryback or carryforward
14 allowed under Section 172 of the Internal Revenue Code;
- 15 (d) Include any amount of income and expenses passed through separately as
16 required by the Internal Revenue Code to an owner of a business entity that is
17 a pass-through entity for federal tax purposes; and
- 18 (e) Exclude any amount of income that is exempt from state taxation by the
19 Kentucky Constitution or the Constitution and statutory laws of the United
20 States;
- 21 (9) "Sales revenue" means receipts from the sale, lease, or rental of goods, services, or
22 property;
- 23 (10) "Tax district" means a city, county, urban-county, charter county, consolidated local
24 government, school district, special taxing district, or any other statutorily created
25 entity with the authority to levy net profits, gross receipts, or occupational license
26 taxes;
- 27 (11) "Taxable gross receipts," in case of a business entity having payroll or sales

1 revenues both within and without a tax district, means gross receipts as defined in
2 subsection (6) of this section, as apportioned under KRS 67.753;

3 (12) "Taxable gross receipts," in case of a business entity having payroll or sales revenue
4 only in one (1) tax district, means gross receipts as defined in subsection (6) of this
5 section;

6 (13) "Taxable net profit," in case of a business entity having payroll or sales revenue
7 only in one (1) tax district, means net profit as defined in subsection (8) of this
8 section;

9 (14) "Taxable net profit," in case of a business entity having payroll or sales revenue
10 both within and without a tax district, means net profit as defined in subsection (8)
11 of this section, as apportioned under KRS 67.753; and

12 (15) "Taxable year" means the calendar year or fiscal year ending during the calendar
13 year, upon the basis of which net income or gross receipts is computed.

14 ➔Section 6. KRS 139.470 is amended to read as follows:

15 There are excluded from the computation of the amount of taxes imposed by this chapter:

16 (1) Gross receipts from the sale of, and the storage, use, or other consumption in this
17 state of, tangible personal property or digital property which this state is prohibited
18 from taxing under the Constitution or laws of the United States, or under the
19 Constitution of this state;

20 (2) Gross receipts from sales of, and the storage, use, or other consumption in this state
21 of:

22 (a) Nonreturnable and returnable containers when sold without the contents to
23 persons who place the contents in the container and sell the contents together
24 with the container; and

25 (b) Returnable containers when sold with the contents in connection with a retail
26 sale of the contents or when resold for refilling;

27 As used in this section the term "returnable containers" means containers of a kind

1 customarily returned by the buyer of the contents for reuse. All other containers are
2 "nonreturnable containers";

3 (3) Gross receipts from occasional sales of tangible personal property or digital
4 property and the storage, use, or other consumption in this state of tangible personal
5 property or digital property, the transfer of which to the purchaser is an occasional
6 sale;

7 (4) Gross receipts from sales of tangible personal property to a common carrier,
8 shipped by the retailer via the purchasing carrier under a bill of lading, whether the
9 freight is paid in advance or the shipment is made freight charges collect, to a point
10 outside this state and the property is actually transported to the out-of-state
11 destination for use by the carrier in the conduct of its business as a common carrier;

12 (5) Gross receipts from sales of tangible personal property sold through coin-operated
13 bulk vending machines, if the sale amounts to fifty cents (\$0.50) or less, if the
14 retailer is primarily engaged in making the sales and maintains records satisfactory
15 to the department. As used in this subsection, "bulk vending machine" means a
16 vending machine containing unsorted merchandise which, upon insertion of a coin,
17 dispenses the same in approximately equal portions, at random and without
18 selection by the customer;

19 (6) Gross receipts from sales to any cabinet, department, bureau, commission, board, or
20 other statutory or constitutional agency of the state and gross receipts from sales to
21 counties, cities, or special districts as defined in KRS 65.005. This exemption shall
22 apply only to purchases of tangible personal property, digital property, or services
23 for use solely in the government function. A purchaser not qualifying as a
24 governmental agency or unit shall not be entitled to the exemption even though the
25 purchaser may be the recipient of public funds or grants;

26 (7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky
27 residents for use in heating, water heating, cooking, lighting, and other

1 residential uses. As used in this subsection, "fuel" shall include but not be
2 limited to natural gas, electricity, fuel oil, bottled gas, coal, coke, and wood.
3 Determinations of eligibility for the exemption shall be made by the
4 department;

5 (b) In making the determinations of eligibility, the department shall exempt from
6 taxation all gross receipts derived from sales:

- 7 1. Classified as "residential" by a utility company as defined by applicable
8 tariffs filed with and accepted by the Public Service Commission;
- 9 2. Classified as "residential" by a municipally owned electric distributor
10 which purchases its power at wholesale from the Tennessee Valley
11 Authority;
- 12 3. Classified as "residential" by the governing body of a municipally owned
13 electric distributor which does not purchase its power from the
14 Tennessee Valley Authority, if the "residential" classification is
15 reasonably consistent with the definitions of "residential" contained in
16 tariff filings accepted and approved by the Public Service Commission
17 with respect to utilities which are subject to Public Service Commission
18 regulation.

19 If the service is classified as residential, use other than for "residential"
20 purposes by the customer shall not negate the exemption;

21 (c) The exemption shall not apply if charges for sewer service, water, and fuel are
22 billed to an owner or operator of a multi-unit residential rental facility or
23 mobile home and recreational vehicle park other than residential
24 classification; and

25 (d) The exemption shall apply also to residential property which may be held by
26 legal or equitable title, by the entireties, jointly, in common, as a
27 condominium, or indirectly by the stock ownership or membership

1 representing the owner's or member's proprietary interest in a corporation
2 owning a fee or a leasehold initially in excess of ninety-eight (98) years;

3 (8) Gross receipts from sales to an out-of-state agency, organization, or institution
4 exempt from sales and use tax in its state of residence when that agency,
5 organization, or institution gives proof of its tax-exempt status to the retailer and the
6 retailer maintains a file of the proof;

7 (9) (a) Gross receipts derived from the sale of tangible personal property, as provided
8 in paragraph (b) of this subsection, to a manufacturer or industrial processor if
9 the property is to be directly used in the manufacturing or industrial
10 processing process of:

- 11 1. Tangible personal property at a plant facility;
- 12 2. Distilled spirits or wine at a plant facility or on the premises of a
13 distiller, rectifier, winery, or small farm winery licensed under KRS
14 243.030 that includes a retail establishment on the premises; or
- 15 3. Malt beverages at a plant facility or on the premises of a brewer or
16 microbrewery licensed under KRS 243.040 that includes a retail
17 establishment;

18 and which will be for sale.

19 (b) The following tangible personal property shall qualify for exemption under
20 this subsection:

- 21 1. Materials which enter into and become an ingredient or component part
22 of the manufactured product;
- 23 2. Other tangible personal property which is directly used in the
24 manufacturing or industrial processing process, if the property has a
25 useful life of less than one (1) year. Specifically these items are
26 categorized as follows:

27 a. Materials. This refers to the raw materials which become an

1 ingredient or component part of supplies or industrial tools exempt
2 under subdivisions b. and c. below;

3 b. Supplies. This category includes supplies such as lubricating and
4 compounding oils, grease, machine waste, abrasives, chemicals,
5 solvents, fluxes, anodes, filtering materials, fire brick, catalysts,
6 dyes, refrigerants, and explosives. The supplies indicated above
7 need not come in direct contact with a manufactured product to be
8 exempt. "Supplies" does not include repair, replacement, or spare
9 parts of any kind; and

10 c. Industrial tools. This group is limited to hand tools such as jigs,
11 dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns
12 and to tools attached to a machine such as molds, grinding balls,
13 grinding wheels, dies, bits, and cutting blades. Normally, for
14 industrial tools to be considered directly used in the manufacturing
15 or industrial processing process, they shall come into direct contact
16 with the product being manufactured or processed; and

17 3. Materials and supplies that are not reusable in the same manufacturing
18 or industrial processing process at the completion of a single
19 manufacturing or processing cycle. A single manufacturing cycle shall
20 be considered to be the period elapsing from the time the raw materials
21 enter into the manufacturing process until the finished product emerges
22 at the end of the manufacturing process.

23 (c) The property described in paragraph (b) of this subsection shall be regarded as
24 having been purchased for resale.

25 (d) For purposes of this subsection, a manufacturer or industrial processor
26 includes an individual or business entity that performs only part of the
27 manufacturing or industrial processing activity, and the person or business

1 entity need not take title to tangible personal property that is incorporated into,
2 or becomes the product of, the activity.

3 (e) The exemption provided in this subsection does not include repair,
4 replacement, or spare parts;

5 (10) Any water use fee paid or passed through to the Kentucky River Authority by
6 facilities using water from the Kentucky River basin to the Kentucky River
7 Authority in accordance with KRS 151.700 to 151.730 and administrative
8 regulations promulgated by the authority;

9 (11) Gross receipts from the sale of newspaper inserts or catalogs purchased for storage,
10 use, or other consumption outside this state and delivered by the retailer's own
11 vehicle to a location outside this state, or delivered to the United States Postal
12 Service, a common carrier, or a contract carrier for delivery outside this state,
13 regardless of whether the carrier is selected by the purchaser or retailer or an agent
14 or representative of the purchaser or retailer, or whether the F.O.B. is retailer's
15 shipping point or purchaser's destination.

16 (a) As used in this subsection:

17 1. "Catalogs" means tangible personal property that is printed to the special
18 order of the purchaser and composed substantially of information
19 regarding goods and services offered for sale; and

20 2. "Newspaper inserts" means printed materials that are placed in or
21 distributed with a newspaper of general circulation.

22 (b) The retailer shall be responsible for establishing that delivery was made to a
23 non-Kentucky location through shipping documents or other credible evidence
24 as determined by the department;

25 (12) Gross receipts from the sale of water used in the raising of equine as a business;

26 (13) Gross receipts from the sale of metal retail fixtures manufactured in this state and
27 purchased for storage, use, or other consumption outside this state and delivered by

1 the retailer's own vehicle to a location outside this state, or delivered to the United
2 States Postal Service, a common carrier, or a contract carrier for delivery outside
3 this state, regardless of whether the carrier is selected by the purchaser or retailer or
4 an agent or representative of the purchaser or retailer, or whether the F.O.B. is the
5 retailer's shipping point or the purchaser's destination.

6 (a) As used in this subsection, "metal retail fixtures" means check stands and
7 belted and nonbelted checkout counters, whether made in bulk or pursuant to
8 specific purchaser specifications, that are to be used directly by the purchaser
9 or to be distributed by the purchaser.

10 (b) The retailer shall be responsible for establishing that delivery was made to a
11 non-Kentucky location through shipping documents or other credible evidence
12 as determined by the department;

13 (14) Gross receipts from the sale of unenriched or enriched uranium purchased for
14 ultimate storage, use, or other consumption outside this state and delivered to a
15 common carrier in this state for delivery outside this state, regardless of whether the
16 carrier is selected by the purchaser or retailer, or is an agent or representative of the
17 purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or
18 purchaser's destination;

19 (15) Amounts received from a tobacco buydown. As used in this subsection, "buydown"
20 means an agreement whereby an amount, whether paid in money, credit, or
21 otherwise, is received by a retailer from a manufacturer or wholesaler based upon
22 the quantity and unit price of tobacco products sold at retail that requires the retailer
23 to reduce the selling price of the product to the purchaser without the use of a
24 manufacturer's or wholesaler's coupon or redemption certificate;

25 (16) Gross receipts from the sale of tangible personal property or digital property
26 returned by a purchaser when the full sales price is refunded either in cash or credit.
27 This exclusion shall not apply if the purchaser, in order to obtain the refund, is

- 1 required to purchase other tangible personal property or digital property at a price
2 greater than the amount charged for the property that is returned;
- 3 (17) Gross receipts from the sales of gasoline and special fuels subject to tax under KRS
4 Chapter 138;
- 5 (18) The amount of any tax imposed by the United States upon or with respect to retail
6 sales, whether imposed on the retailer or the consumer, not including any
7 manufacturer's excise or import duty;
- 8 (19) Gross receipts from the sale of any motor vehicle as defined in KRS 138.450 which
9 is:
- 10 (a) Sold to a Kentucky resident, registered for use on the public highways, and
11 upon which any applicable tax levied by KRS 138.460 has been paid; or
- 12 (b) Sold to a nonresident of Kentucky if the nonresident registers the motor
13 vehicle in a state that:
- 14 1. Allows residents of Kentucky to purchase motor vehicles without
15 payment of that state's sales tax at the time of sale; or
- 16 2. Allows residents of Kentucky to remove the vehicle from that state
17 within a specific period for subsequent registration and use in Kentucky
18 without payment of that state's sales tax;
- 19 (20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and
20 trailer as defined in KRS 189.010(17);
- 21 (21) Gross receipts from the collection of:
- 22 (a) Any fee or charge levied by a local government pursuant to KRS 65.760;
- 23 (b) The charge imposed by KRS 65.7629(3);
- 24 (c) The fee imposed by KRS 65.7634; and
- 25 (d) The service charge imposed by KRS 65.7636;
- 26 (22) Gross receipts derived from charges for labor or services to apply, install, repair, or
27 maintain tangible personal property directly used in manufacturing or industrial

1 processing process of:

2 (a) Tangible personal property at a plant facility;

3 (b) Distilled spirits or wine at a plant facility or on the premises of a distiller,
4 rectifier, winery, or small farm winery licensed under KRS 243.030; or

5 (c) Malt beverages at a plant facility or on the premises of a brewer or
6 microbrewery licensed under KRS 243.040

7 that is not otherwise exempt under subsection (9) of this section or KRS
8 139.480(10), if the charges for labor or services are separately stated on the invoice,
9 bill of sale, or similar document given to purchaser;

10 (23) (a) For persons selling services included in KRS 139.200(2)(g) to (q) prior to
11 January 1, 2019, gross receipts derived from the sale of those services if the
12 gross receipts were less than six thousand dollars (\$6,000) during calendar
13 year 2018. When gross receipts from these services exceed six thousand
14 dollars (\$6,000) in a calendar year:

15 1. All gross receipts over six thousand dollars (\$6,000) are taxable in that
16 calendar year; and

17 2. All gross receipts are subject to tax in subsequent calendar years.

18 (b) The exemption provided in this subsection shall not apply to a person also
19 engaged in the business of selling tangible personal property, digital property,
20 or services included in KRS 139.200(2)(a) to (f);~~and~~

21 (24) (a) For persons that first begin making sales of services included in KRS
22 139.200(2)(g) to (q) on or after January 1, 2019, gross receipts derived from
23 the sale of those services if the gross receipts are less than six thousand dollars
24 (\$6,000) within the first calendar year of operation. When gross receipts from
25 these services exceed six thousand dollars (\$6,000) in a calendar year:

26 1. All gross receipts over six thousand dollars (\$6,000) are taxable in that
27 calendar year; and

1 2. All gross receipts are subject to tax in subsequent calendar years.

2 (b) The exemption provided in this subsection shall not apply to a person that is
3 also engaged in the business of selling tangible personal property, digital
4 property, or services included in KRS 139.200(2)(a) to (f); **and**

5 **(25) Gross receipts from amounts paid or received as refundable deposits on beverage**
6 **containers under Section 2 or 3 of this Act.**

7 ➔Section 7. KRS 224.43-505 is amended to read as follows:

8 (1) A trust fund known as the Kentucky pride fund is hereby established in the State
9 Treasury to receive money collected from environmental remediation fees
10 established in KRS 224.43-500 **and to receive excess unrefunded deposit amounts**
11 **for beverage containers paid to the cabinet by distributors under Section 4 of this**
12 **Act.** The fund shall be used to accomplish the purposes established in this section.
13 Any money accruing to the fund in any fiscal year shall not lapse but shall be
14 carried forward to the next fiscal year. The fund may also receive state
15 appropriations, gifts, grants, and federal funds. All interest earned on money in the
16 fund shall be credited to the fund.

17 (2) The cabinet shall administer the Kentucky pride fund as provided by this section
18 and any administrative regulations promulgated pursuant thereto. Money from the
19 fund received by the cabinet shall be distributed as follows:

20 (a) Five million dollars (\$5,000,000) of the money deposited into the fund each
21 year shall be retained by the cabinet, subject to the following conditions:

22 1. The cabinet may use up to two and one-half million dollars (\$2,500,000)
23 of the money deposited into the fund as necessary for direct costs
24 associated with site identification, characterization, and corrective action
25 assessments of solid waste disposal sites and facilities that have ceased
26 accepting waste before July 1, 1992, including former permitted
27 municipal solid waste disposal facilities or abandoned solid waste

1 disposal sites or facilities. The cabinet shall prioritize the sites and
2 facilities based on risks to human health, safety, and the environment,
3 and develop an implementation plan for closure and remediation of
4 those sites and facilities. Funds may be utilized to begin design and
5 implementation of proper closure and corrective action for those sites
6 and facilities with unabated pending violations.

7 2. The cabinet shall suspend until July, 2006, enforcement activity
8 regarding landfill closure and remediation obligations against formerly
9 permitted municipal solid waste disposal facilities owned by a city or
10 county that ceased accepting waste prior to July 1, 1992, except as
11 necessary to abate an environmental emergency.

12 3. Two and one-half million dollars (\$2,500,000) per year shall be used to
13 pay debt service on bonds sold by the Kentucky Infrastructure Authority
14 in the amount of at least twenty-five million dollars (\$25,000,000), the
15 proceeds from which were deposited into the Kentucky pride fund
16 established in this section and utilized for undertaking closure and
17 corrective action at formerly permitted solid waste disposal facilities or
18 abandoned solid waste sites or facilities that ceased accepting waste
19 prior to July 1, 1992, which pose the most significant environmental or
20 human health risk. Moneys not appropriated for the identification and
21 characterization of orphaned or abandoned landfills, or debt service, may
22 be used for the elimination of illegal open dumps, direct costs associated
23 with the closure of orphaned landfills, recycling grants, household
24 hazardous waste grants, or additional debt service.

25 (b) The interest on all moneys deposited into the fund, including unused debt
26 services, shall be distributed annually in an amount not to exceed one million
27 dollars (\$1,000,000) to the Kentucky Environmental Education Council for

1 implementation of the environmental education center component of the
2 Environmental Education Master Plan.

3 (c) The remaining balance of the funds from the environmental remediation fee
4 established in KRS 224.43-500, plus any unspent interest revenues, shall be
5 utilized by the cabinet for grants to counties for the elimination of illegal open
6 dumps and to establish a recycling and household hazardous waste grants
7 program. Any county, waste management district, city, urban-county
8 government, or other political subdivision of the state shall be eligible to
9 apply for recycling and household hazardous waste grants under this program.

10 (d) Two and one-half million dollars (\$2,500,000) shall be transferred in each of
11 the fiscal years 2002-03 and 2003-04 and annually thereafter from the road
12 fund established in KRS 48.010(15)(g) and two and one-half million dollars
13 (\$2,500,000) shall be transferred in each of the fiscal years 2002-03 and 2003-
14 04 and annually thereafter from the highway construction contingency fund to
15 the Kentucky pride fund established in this section, to be reserved and
16 distributed annually for anti-litter control programs with distributions to be
17 made as follows:

18 1. Thirty-three and one-third percent (33-1/3%) of the money shall be
19 distributed annually based on each county's miles of public roads as a
20 percentage of the total miles of public roads in the Commonwealth at the
21 time of distribution;

22 2. Thirty-three and one-third percent (33-1/3%) of the money shall be
23 distributed annually based on the county's rural population as a
24 percentage of the total rural population of the Commonwealth at the
25 time of distribution. "Rural population" means the population residing
26 outside a city, town, or urban area with a population of two thousand
27 five hundred (2,500) persons or more;

- 1 3. Thirty-three and one-third percent (33-1/3%) of the money shall be
2 distributed annually based on the county's population as a percentage of
3 the total population of the Commonwealth at the time of distribution;
- 4 4. Of the moneys apportioned to counties on the basis of miles of public
5 roads and population as provided for in subparagraphs 1. and 3. of this
6 paragraph, the cabinet shall provide to the participating incorporated
7 cities within the jurisdiction of each respective county which, by
8 ordinance or other means, provides municipal solid waste collection
9 service, an amount of funds equal to the ratio of that city's total miles of
10 public roads in the county and the ratio of that city's population to the
11 population of the county, to be used for the purpose of litter cleanup on
12 public roads within city boundaries;
- 13 5. Moneys received by counties and cities pursuant to this paragraph shall
14 be applied for by November 1 of the year preceding the grant
15 distribution and shall be used to meet obligations with respect to the
16 litter cleanup of public roads required by the provisions of KRS 224.43-
17 345; and
- 18 6. Litter abatement funding rejected or otherwise returned from the grant
19 recipients shall be applied to the following year's allotment for litter
20 abatement grants.
- 21 (3) Any county may apply for a grant for the elimination of illegal open dumps subject
22 to the following provisions:
- 23 (a) The cabinet first shall prioritize expenditures from this fund among those
24 counties with approved solid waste management plans in order to address
25 those illegal open dumps posing the most significant public health and
26 environmental risks; and
- 27 (b) The cabinet shall provide grants to counties for eliminating illegal open

1 dumps. To be eligible for grant funding, the applicant shall:

- 2 1. Establish an effective universal municipal solid waste collection service
- 3 that is available to all county residences and businesses;
- 4 2. Employ a solid waste coordinator with enforcement powers;
- 5 3. Remain in compliance with an approved solid waste management plan
- 6 under this chapter;
- 7 4. Enter into agreement with the cabinet to provide a twenty-five percent
- 8 (25%) match which may be in kind to the grant amount and comply with
- 9 the grant criteria, except that the grant match may be waived for illegal
- 10 dump cleanups projected to cost more than fifty thousand dollars
- 11 (\$50,000);
- 12 5. Agree to use all legal methods at their disposal to collect delinquent
- 13 solid waste collection fees; and
- 14 6. Establish a committee to be designated as the clean county committee,
- 15 composed of representatives from business, schools, agriculture,
- 16 homemakers, and other concerned citizens, to increase awareness and
- 17 develop education and enforcement strategies to keep the county free of
- 18 litter and illegal open dumps.

19 (4) The cabinet shall impose the following requirements for recycling and household
20 hazardous waste management grants to counties, waste management districts, cities,
21 urban-county governments, or other political subdivisions of the state:

- 22 (a) Each grantee shall provide a twenty-five percent (25%) match to the grant
- 23 amount which may be in kind and shall comply with the grant criteria;
- 24 (b) Each grantee shall demonstrate that the proposed project will remain
- 25 financially viable after grant funds have been expended;
- 26 (c) The grantee shall demonstrate that the service added by the project is needed
- 27 and would otherwise be unavailable within the proposed service area; and

1 (d) Projects that create opportunities for regional recycling or regional household
2 hazardous waste management shall be given priority.

3 (5) Counties that meet the requirements set out above in subsection (3) of this section
4 shall be provided the following incentives and rewards by the cabinet:

5 (a) Extra points when applying for Land and Water Conservation Fund grants,
6 National Recreation Trails Funds grants, and funding from the state-funded
7 Community Rivers and Streams Program; and

8 (b) Priority consideration for funds from the Division of Conservation State Cost
9 Share Program for dumps on farmland and the Waste Tire Trust Fund for tire
10 dumps.

11 (6) (a) Except as provided in paragraph (b) of this subsection, the cabinet shall be
12 reimbursed for reasonable costs related to the implementation of the
13 provisions of this section, not to exceed seven hundred fifty thousand dollars
14 (\$750,000) annually.

15 (b) Any unrefunded deposit amounts for beverage containers paid to the
16 cabinet by distributors under Section 4 of this Act shall first be used for
17 implementation and administrative costs of Sections 1 to 4 of this Act, with
18 any excess amounts used to accomplish the purposes of this section.

19 ➔Section 8. (1) The Energy and Environment Cabinet is hereby directed to
20 conduct a study of the feasibility of implementing a minimum recycled content
21 requirement for certain single-use plastic products sold, offered for sale, or distributed in
22 the Commonwealth.

23 (2) At a minimum, the study shall include:

24 (a) The types of products that should be subject to the minimum recycled content
25 requirements, including but not limited to plastic trash bags, plastic beverage containers,
26 and plastic bottles for household cleaning and personal care products;

27 (b) The availability of recyclable plastic material to be used to comply with the

1 minimum recycled content requirements, and any policies that could be implemented to
2 increase the availability of such materials;

3 (c) The Commonwealth's current capacity for recycling and processing and any
4 infrastructure improvements or other policies that may be needed to increase that
5 capacity;

6 (d) The minimum amounts of recyclable material to be included in products
7 subject to the requirement, and the timeline for increasing those minimum amounts as
8 more recyclable material becomes available and as the Commonwealth's recycling and
9 processing infrastructure becomes more robust;

10 (e) The costs of compliance with a minimum recyclable content requirement for
11 producers and consumers and the cabinet's costs of administering the program; and

12 (f) Any other considerations that need to be made in order to make a minimum
13 recycled requirement for single use plastic technically feasible in the Commonwealth.

14 (3) The Energy and Environment Cabinet shall submit its findings regarding the
15 feasibility of implementing a minimum recycled content requirement for single-use
16 plastic products sold, offered for sale, or distributed in the Commonwealth to the
17 Legislative Research Commission and the Interim Joint Committee on Natural Resources
18 and Energy on or before November 1, 2022.