

1 AN ACT relating to supports for pregnant women and children and making an  
2 appropriation therefor.

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

4 ➔SECTION 1. A NEW SECTION OF SUBTITLE 17A OF KRS CHAPTER 304  
5 IS CREATED TO READ AS FOLLOWS:

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

7 *(a) "Exchange":*

8 *1. Means a governmental agency or nonprofit entity that makes qualified*  
9 *health plans, as defined in 42 U.S.C. sec. 18021, as amended,*  
10 *available to qualified individuals or qualified employers; and*

11 *2. Includes:*

12 *a. An exchange serving the individual market for qualified*  
13 *individuals; and*

14 *b. A Small Business Health Options Program serving the small*  
15 *group market for qualified employers; and*

16 *(b) "Health benefit plan" has the same meaning as in KRS 304.17A-005,*  
17 *except that for purposes of this section, the term includes:*

18 *1. Short-term limited-duration coverage; and*

19 *2. Student health insurance offered by a Kentucky-licensed insurer*  
20 *under written contract with a university or college whose students it*  
21 *proposes to insure.*

22 *(2) To the extent permitted by federal law:*

23 *(a) The following shall provide a special enrollment period to pregnant*  
24 *individuals who are eligible for coverage:*

25 *1. Any insurer offering a health benefit plan; and*

26 *2. Any exchange operating in this state;*

27 *(b) The insurer or exchange shall allow a pregnant individual, and any*

1 individual who is eligible for coverage because of a relationship to a  
 2 pregnant individual, to enroll for coverage under the plan or on the  
 3 exchange:

4 1. Except as provided in subparagraph 2. of this paragraph, at any time  
 5 during the pregnancy; or

6 2. Beginning on the date that the pregnant individual reports the  
 7 pregnancy to the insurer or the exchange, if the insurer or exchange is  
 8 required under federal law to limit the enrollment period;

9 (c) The coverage required under this subsection shall begin no later than the  
 10 first day of the first calendar month in which a medical professional  
 11 determines that the pregnancy began, except that a pregnant individual may  
 12 direct coverage to begin on the first day of any month occurring after that  
 13 date but during the pregnancy; and

14 (d) If a directive under paragraph (c) of this subsection falls outside of the  
 15 pregnancy period, the coverage required under this subsection shall begin  
 16 not later than the first day of the last month that occurred during the  
 17 pregnancy.

18 (3) For group health plans and insurers offering group health insurance coverage in  
 19 Kentucky, the plan or insurer shall, at or before the time an individual is initially  
 20 offered the opportunity to enroll in the plan or coverage, provide the individual  
 21 with a notice of the special enrollment rights under this section.

22 ➔Section 2. KRS 18A.225 (Effective January 1, 2025) is amended to read as  
 23 follows:

24 (1) (a) The term "employee" for purposes of this section means:

25 1. Any person, including an elected public official, who is regularly  
 26 employed by any department, office, board, agency, or branch of state  
 27 government; or by a public postsecondary educational institution; or by

- 1 any city, urban-county, charter county, county, or consolidated local  
2 government, whose legislative body has opted to participate in the state-  
3 sponsored health insurance program pursuant to KRS 79.080; and who  
4 is either a contributing member to any one (1) of the retirement systems  
5 administered by the state, including but not limited to the Kentucky  
6 Retirement Systems, County Employees Retirement System, Kentucky  
7 Teachers' Retirement System, the Legislators' Retirement Plan, or the  
8 Judicial Retirement Plan; or is receiving a contractual contribution from  
9 the state toward a retirement plan; or, in the case of a public  
10 postsecondary education institution, is an individual participating in an  
11 optional retirement plan authorized by KRS 161.567; or is eligible to  
12 participate in a retirement plan established by an employer who ceases  
13 participating in the Kentucky Employees Retirement System pursuant to  
14 KRS 61.522 whose employees participated in the health insurance plans  
15 administered by the Personnel Cabinet prior to the employer's effective  
16 cessation date in the Kentucky Employees Retirement System;
- 17 2. Any certified or classified employee of a local board of education or a  
18 public charter school as defined in KRS 160.1590;
- 19 3. Any elected member of a local board of education;
- 20 4. Any person who is a present or future recipient of a retirement  
21 allowance from the Kentucky Retirement Systems, County Employees  
22 Retirement System, Kentucky Teachers' Retirement System, the  
23 Legislators' Retirement Plan, the Judicial Retirement Plan, or the  
24 Kentucky Community and Technical College System's optional  
25 retirement plan authorized by KRS 161.567, except that a person who is  
26 receiving a retirement allowance and who is age sixty-five (65) or older  
27 shall not be included, with the exception of persons covered under KRS

- 1                   61.702(2)(b)3. and 78.5536(2)(b)3., unless he or she is actively  
2                   employed pursuant to subparagraph 1. of this paragraph; and
- 3           5. Any eligible dependents and beneficiaries of participating employees  
4                   and retirees who are entitled to participate in the state-sponsored health  
5                   insurance program;
- 6           (b) The term "health benefit plan" for the purposes of this section means a health  
7                   benefit plan as defined in KRS 304.17A-005;
- 8           (c) The term "insurer" for the purposes of this section means an insurer as defined  
9                   in KRS 304.17A-005; and
- 10          (d) The term "managed care plan" for the purposes of this section means a  
11                   managed care plan as defined in KRS 304.17A-500.
- 12   (2) (a) The secretary of the Finance and Administration Cabinet, upon the  
13                   recommendation of the secretary of the Personnel Cabinet, shall procure, in  
14                   compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,  
15                   from one (1) or more insurers authorized to do business in this state, a group  
16                   health benefit plan that may include but not be limited to health maintenance  
17                   organization (HMO), preferred provider organization (PPO), point of service  
18                   (POS), and exclusive provider organization (EPO) benefit plans  
19                   encompassing all or any class or classes of employees. With the exception of  
20                   employers governed by the provisions of KRS Chapters 16, 18A, and 151B,  
21                   all employers of any class of employees or former employees shall enter into  
22                   a contract with the Personnel Cabinet prior to including that group in the state  
23                   health insurance group. The contracts shall include but not be limited to  
24                   designating the entity responsible for filing any federal forms, adoption of  
25                   policies required for proper plan administration, acceptance of the contractual  
26                   provisions with health insurance carriers or third-party administrators, and  
27                   adoption of the payment and reimbursement methods necessary for efficient

1 administration of the health insurance program. Health insurance coverage  
2 provided to state employees under this section shall, at a minimum, contain  
3 the same benefits as provided under Kentucky Kare Standard as of January 1,  
4 1994, and shall include a mail-order drug option as provided in subsection  
5 (13) of this section. All employees and other persons for whom the health care  
6 coverage is provided or made available shall annually be given an option to  
7 elect health care coverage through a self-funded plan offered by the  
8 Commonwealth or, if a self-funded plan is not available, from a list of  
9 coverage options determined by the competitive bid process under the  
10 provisions of KRS 45A.080, 45A.085, and 45A.090 and made available  
11 during annual open enrollment.

12 (b) The policy or policies shall be approved by the commissioner of insurance  
13 and may contain the provisions the commissioner of insurance approves,  
14 whether or not otherwise permitted by the insurance laws.

15 (c) Any carrier bidding to offer health care coverage to employees shall agree to  
16 provide coverage to all members of the state group, including active  
17 employees and retirees and their eligible covered dependents and  
18 beneficiaries, within the county or counties specified in its bid. Except as  
19 provided in subsection (20) of this section, any carrier bidding to offer health  
20 care coverage to employees shall also agree to rate all employees as a single  
21 entity, except for those retirees whose former employers insure their active  
22 employees outside the state-sponsored health insurance program and as  
23 otherwise provided in KRS 61.702(2)(b)3.b. and 78.5536(2)(b)3.b.

24 (d) Any carrier bidding to offer health care coverage to employees shall agree to  
25 provide enrollment, claims, and utilization data to the Commonwealth in a  
26 format specified by the Personnel Cabinet with the understanding that the data  
27 shall be owned by the Commonwealth; to provide data in an electronic form

1 and within a time frame specified by the Personnel Cabinet; and to be subject  
2 to penalties for noncompliance with data reporting requirements as specified  
3 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions  
4 to protect the confidentiality of each individual employee; however,  
5 confidentiality assertions shall not relieve a carrier from the requirement of  
6 providing stipulated data to the Commonwealth.

7 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities  
8 for timely analysis of data received from carriers and, to the extent possible,  
9 provide in the request-for-proposal specifics relating to data requirements,  
10 electronic reporting, and penalties for noncompliance. The Commonwealth  
11 shall own the enrollment, claims, and utilization data provided by each carrier  
12 and shall develop methods to protect the confidentiality of the individual. The  
13 Personnel Cabinet shall include in the October annual report submitted  
14 pursuant to the provisions of KRS 18A.226 to the Governor, the General  
15 Assembly, and the Chief Justice of the Supreme Court, an analysis of the  
16 financial stability of the program, which shall include but not be limited to  
17 loss ratios, methods of risk adjustment, measurements of carrier quality of  
18 service, prescription coverage and cost management, and statutorily required  
19 mandates. If state self-insurance was available as a carrier option, the report  
20 also shall provide a detailed financial analysis of the self-insurance fund  
21 including but not limited to loss ratios, reserves, and reinsurance agreements.

22 (f) If any agency participating in the state-sponsored employee health insurance  
23 program for its active employees terminates participation and there is a state  
24 appropriation for the employer's contribution for active employees' health  
25 insurance coverage, then neither the agency nor the employees shall receive  
26 the state-funded contribution after termination from the state-sponsored  
27 employee health insurance program.

- 1 (g) Any funds in flexible spending accounts that remain after all reimbursements  
2 have been processed shall be transferred to the credit of the state-sponsored  
3 health insurance plan's appropriation account.
- 4 (h) Each entity participating in the state-sponsored health insurance program shall  
5 provide an amount at least equal to the state contribution rate for the employer  
6 portion of the health insurance premium. For any participating entity that used  
7 the state payroll system, the employer contribution amount shall be equal to  
8 but not greater than the state contribution rate.
- 9 (3) The premiums may be paid by the policyholder:
- 10 (a) Wholly from funds contributed by the employee, by payroll deduction or  
11 otherwise;
- 12 (b) Wholly from funds contributed by any department, board, agency, public  
13 postsecondary education institution, or branch of state, city, urban-county,  
14 charter county, county, or consolidated local government; or
- 15 (c) Partly from each, except that any premium due for health care coverage or  
16 dental coverage, if any, in excess of the premium amount contributed by any  
17 department, board, agency, postsecondary education institution, or branch of  
18 state, city, urban-county, charter county, county, or consolidated local  
19 government for any other health care coverage shall be paid by the employee.
- 20 (4) If an employee moves his or her place of residence or employment out of the  
21 service area of an insurer offering a managed health care plan, under which he or  
22 she has elected coverage, into either the service area of another managed health care  
23 plan or into an area of the Commonwealth not within a managed health care plan  
24 service area, the employee shall be given an option, at the time of the move or  
25 transfer, to change his or her coverage to another health benefit plan.
- 26 (5) No payment of premium by any department, board, agency, public postsecondary  
27 educational institution, or branch of state, city, urban-county, charter county,

1 county, or consolidated local government shall constitute compensation to an  
2 insured employee for the purposes of any statute fixing or limiting the  
3 compensation of such an employee. Any premium or other expense incurred by any  
4 department, board, agency, public postsecondary educational institution, or branch  
5 of state, city, urban-county, charter county, county, or consolidated local  
6 government shall be considered a proper cost of administration.

7 (6) The policy or policies may contain the provisions with respect to the class or classes  
8 of employees covered, amounts of insurance or coverage for designated classes or  
9 groups of employees, policy options, terms of eligibility, and continuation of  
10 insurance or coverage after retirement.

11 (7) Group rates under this section shall be made available to the disabled child of an  
12 employee regardless of the child's age if the entire premium for the disabled child's  
13 coverage is paid by the state employee. A child shall be considered disabled if he or  
14 she has been determined to be eligible for federal Social Security disability benefits.

15 (8) The health care contract or contracts for employees shall be entered into for a  
16 period of not less than one (1) year.

17 (9) The secretary shall appoint thirty-two (32) persons to an Advisory Committee of  
18 State Health Insurance Subscribers to advise the secretary or the secretary's  
19 designee regarding the state-sponsored health insurance program for employees.  
20 The secretary shall appoint, from a list of names submitted by appointing  
21 authorities, members representing school districts from each of the seven (7)  
22 Supreme Court districts, members representing state government from each of the  
23 seven (7) Supreme Court districts, two (2) members representing retirees under age  
24 sixty-five (65), one (1) member representing local health departments, two (2)  
25 members representing the Kentucky Teachers' Retirement System, and three (3)  
26 members at large. The secretary shall also appoint two (2) members from a list of  
27 five (5) names submitted by the Kentucky Education Association, two (2) members



1 from a list of five (5) names submitted by the largest state employee organization of  
2 nonschool state employees, two (2) members from a list of five (5) names submitted  
3 by the Kentucky Association of Counties, two (2) members from a list of five (5)  
4 names submitted by the Kentucky League of Cities, and two (2) members from a  
5 list of names consisting of five (5) names submitted by each state employee  
6 organization that has two thousand (2,000) or more members on state payroll  
7 deduction. The advisory committee shall be appointed in January of each year and  
8 shall meet quarterly.

9 (10) Notwithstanding any other provision of law to the contrary, the policy or policies  
10 provided to employees pursuant to this section shall not provide coverage for  
11 obtaining or performing an abortion, nor shall any state funds be used for the  
12 purpose of obtaining or performing an abortion on behalf of employees or their  
13 dependents.

14 (11) Interruption of an established treatment regime with maintenance drugs shall be  
15 grounds for an insured to appeal a formulary change through the established appeal  
16 procedures approved by the Department of Insurance, if the physician supervising  
17 the treatment certifies that the change is not in the best interests of the patient.

18 (12) Any employee who is eligible for and elects to participate in the state health  
19 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any  
20 one (1) of the state-sponsored retirement systems shall not be eligible to receive the  
21 state health insurance contribution toward health care coverage as a result of any  
22 other employment for which there is a public employer contribution. This does not  
23 preclude a retiree and an active employee spouse from using both contributions to  
24 the extent needed for purchase of one (1) state sponsored health insurance policy  
25 for that plan year.

26 (13) (a) The policies of health insurance coverage procured under subsection (2) of  
27 this section shall include a mail-order drug option for maintenance drugs for

1 state employees. Maintenance drugs may be dispensed by mail order in  
2 accordance with Kentucky law.

3 (b) A health insurer shall not discriminate against any retail pharmacy located  
4 within the geographic coverage area of the health benefit plan and that meets  
5 the terms and conditions for participation established by the insurer, including  
6 price, dispensing fee, and copay requirements of a mail-order option. The  
7 retail pharmacy shall not be required to dispense by mail.

8 (c) The mail-order option shall not permit the dispensing of a controlled  
9 substance classified in Schedule II.

10 (14) The policy or policies provided to state employees or their dependents pursuant to  
11 this section shall provide coverage for obtaining a hearing aid and acquiring hearing  
12 aid-related services for insured individuals under eighteen (18) years of age, subject  
13 to a cap of one thousand four hundred dollars (\$1,400) every thirty-six (36) months  
14 pursuant to KRS 304.17A-132.

15 (15) Any policy provided to state employees or their dependents pursuant to this section  
16 shall provide coverage for the diagnosis and treatment of autism spectrum disorders  
17 consistent with KRS 304.17A-142.

18 (16) Any policy provided to state employees or their dependents pursuant to this section  
19 shall provide coverage for obtaining amino acid-based elemental formula pursuant  
20 to KRS 304.17A-258.

21 (17) If a state employee's residence and place of employment are in the same county,  
22 and if the hospital located within that county does not offer surgical services,  
23 intensive care services, obstetrical services, level II neonatal services, diagnostic  
24 cardiac catheterization services, and magnetic resonance imaging services, the  
25 employee may select a plan available in a contiguous county that does provide  
26 those services, and the state contribution for the plan shall be the amount available  
27 in the county where the plan selected is located.

- 1 (18) If a state employee's residence and place of employment are each located in  
2 counties in which the hospitals do not offer surgical services, intensive care  
3 services, obstetrical services, level II neonatal services, diagnostic cardiac  
4 catheterization services, and magnetic resonance imaging services, the employee  
5 may select a plan available in a county contiguous to the county of residence that  
6 does provide those services, and the state contribution for the plan shall be the  
7 amount available in the county where the plan selected is located.
- 8 (19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and  
9 in the best interests of the state group to allow any carrier bidding to offer health  
10 care coverage under this section to submit bids that may vary county by county or  
11 by larger geographic areas.
- 12 (20) Notwithstanding any other provision of this section, the bid for proposals for health  
13 insurance coverage for calendar year 2004 shall include a bid scenario that reflects  
14 the statewide rating structure provided in calendar year 2003 and a bid scenario that  
15 allows for a regional rating structure that allows carriers to submit bids that may  
16 vary by region for a given product offering as described in this subsection:
- 17 (a) The regional rating bid scenario shall not include a request for bid on a  
18 statewide option;
- 19 (b) The Personnel Cabinet shall divide the state into geographical regions which  
20 shall be the same as the partnership regions designated by the Department for  
21 Medicaid Services for purposes of the Kentucky Health Care Partnership  
22 Program established pursuant to 907 KAR 1:705;
- 23 (c) The request for proposal shall require a carrier's bid to include every county  
24 within the region or regions for which the bid is submitted and include but not  
25 be restricted to a preferred provider organization (PPO) option;
- 26 (d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the  
27 carrier all of the counties included in its bid within the region. If the Personnel

- 1 Cabinet deems the bids submitted in accordance with this subsection to be in  
2 the best interests of state employees in a region, the cabinet may award the  
3 contract for that region to no more than two (2) carriers; and
- 4 (e) Nothing in this subsection shall prohibit the Personnel Cabinet from including  
5 other requirements or criteria in the request for proposal.
- 6 (21) Any fully insured health benefit plan or self-insured plan issued or renewed on or  
7 after July 12, 2006, to public employees pursuant to this section which provides  
8 coverage for services rendered by a physician or osteopath duly licensed under KRS  
9 Chapter 311 that are within the scope of practice of an optometrist duly licensed  
10 under the provisions of KRS Chapter 320 shall provide the same payment of  
11 coverage to optometrists as allowed for those services rendered by physicians or  
12 osteopaths.
- 13 (22) Any fully insured health benefit plan or self-insured plan issued or renewed to  
14 public employees pursuant to this section shall comply with:
- 15 (a) KRS 304.12-237;
- 16 (b) KRS 304.17A-270 and 304.17A-525;
- 17 (c) KRS 304.17A-600 to 304.17A-633;
- 18 (d) KRS 205.593;
- 19 (e) KRS 304.17A-700 to 304.17A-730;
- 20 (f) KRS 304.14-135;
- 21 (g) KRS 304.17A-580 and 304.17A-641;
- 22 (h) KRS 304.99-123;
- 23 (i) KRS 304.17A-138;
- 24 (j) KRS 304.17A-148;
- 25 (k) KRS 304.17A-163 and 304.17A-1631;
- 26 (l) KRS 304.17A-265;
- 27 (m) KRS 304.17A-261;

1 (n) KRS 304.17A-262;~~[and]~~

2 (o) Section 1 of this Act; and

3 (p)~~(e)~~ Administrative regulations promulgated pursuant to statutes listed in this  
4 subsection.

5 ➔Section 3. KRS 164.2871 (Effective January 1, 2025) is amended to read as  
6 follows:

7 (1) The governing board of each state postsecondary educational institution is  
8 authorized to purchase liability insurance for the protection of the individual  
9 members of the governing board, faculty, and staff of such institutions from liability  
10 for acts and omissions committed in the course and scope of the individual's  
11 employment or service. Each institution may purchase the type and amount of  
12 liability coverage deemed to best serve the interest of such institution.

13 (2) All retirement annuity allowances accrued or accruing to any employee of a state  
14 postsecondary educational institution through a retirement program sponsored by  
15 the state postsecondary educational institution are hereby exempt from any state,  
16 county, or municipal tax, and shall not be subject to execution, attachment,  
17 garnishment, or any other process whatsoever, nor shall any assignment thereof be  
18 enforceable in any court. Except retirement benefits accrued or accruing to any  
19 employee of a state postsecondary educational institution through a retirement  
20 program sponsored by the state postsecondary educational institution on or after  
21 January 1, 1998, shall be subject to the tax imposed by KRS 141.020, to the extent  
22 provided in KRS 141.010 and 141.0215.

23 (3) Except as provided in KRS Chapter 44, the purchase of liability insurance for  
24 members of governing boards, faculty and staff of institutions of higher education  
25 in this state shall not be construed to be a waiver of sovereign immunity or any  
26 other immunity or privilege.

27 (4) The governing board of each state postsecondary education institution is authorized

1 to provide a self-insured employer group health plan to its employees, which plan  
2 shall:

- 3 (a) Conform to the requirements of Subtitle 32 of KRS Chapter 304; and  
4 (b) Except as provided in subsection (5) of this section, be exempt from  
5 conformity with Subtitle 17A of KRS Chapter 304.

6 (5) A self-insured employer group health plan provided by the governing board of a  
7 state postsecondary education institution to its employees shall comply with:

- 8 (a) KRS 304.17A-163 and 304.17A-1631;  
9 (b) KRS 304.17A-265;  
10 (c) KRS 304.17A-261;~~and~~  
11 (d) KRS 304.17A-262; and  
12 (e) Section 1 of this Act.

13 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 205 IS CREATED TO  
14 READ AS FOLLOWS:

15 (1) As used in this section:

16 (a) "Breast pump kit" means a collection of tubing, valves, flanges, bottles, and  
17 other parts required to extract human milk using a breast pump;

18 (b) "Lactation consultation":

19 1. Means the clinical application of scientific principles and a  
20 multidisciplinary body of evidence for evaluation, problem  
21 identification, treatment, education, and consultation to families  
22 regarding the course of lactation and feeding by a qualified clinical  
23 lactation care practitioner; and

24 2. Includes but is not limited to:

25 a. Collecting maternal, child, and feeding history;

26 b. Assessing breastfeeding and human lactation through the  
27 systematic collection of subjective and objective information;

- 1                    c. Analyzing data;
- 2                    d. Developing a lactation management and child feeding plan with
- 3                                    demonstration and instruction to parents;
- 4                    e. Providing lactation and feeding education;
- 5                    f. Recommending the use of assistive devices;
- 6                    g. Communicating with the parent and child's primary care
- 7                                    practitioners;
- 8                    h. Referring to other healthcare providers, as needed;
- 9                    i. Providing appropriate follow-up care and evaluation of
- 10                                    outcomes; and
- 11                    j. Documenting encounters in the patient's record; and
- 12                    (c) "Qualified clinical lactation care practitioner" means a licensed healthcare
- 13                                    practitioner whose legal scope of practice includes lactation consultation.
- 14                    (2) The Department for Medicaid Services and any managed care organization
- 15                                    contracted to provide Medicaid services, pursuant to this chapter, shall provide
- 16                                    coverage for lactation consultation and breastfeeding equipment.
- 17                    (3) The coverage required by this section shall:
- 18                                    (a) Not be subject to:
- 19    1. Any cost-sharing requirements, including but not limited to
- 20    copayments; or
- 21    2. Utilization management requirements, including but not limited to
- 22    prior authorization, prescription, or referral, except as permitted in
- 23    paragraph (d) of this subsection;
- 24                    (b) Be provided in conjunction with each birth for the duration of
- 25                                    breastfeeding, as defined by the beneficiary;
- 26                    (c) For lactation consultation, include:
- 27                                    1. In-person, one-on-one consultation, including home visits, regardless

- 1                   of location of service provision;  
2                   2. The delivery of consultation via telehealth, as defined in KRS 211.332,  
3                   if the beneficiary requests telehealth consultation in lieu of in-person,  
4                   one-on-one consultation; or  
5                   3. Group consultation, if the beneficiary requests group consultation in  
6                   lieu of in-person, one-on-one consultation; and

7                   (d) For breastfeeding equipment, include:

- 8                   1. Purchase of a single-user, double electric breast pump, or a manual  
9                   pump in lieu of a double electric breast pump, if requested by the  
10                  beneficiary;  
11                  2. Rental of a multi-user breast pump on the recommendation of a  
12                  licensed health care provider; and  
13                  3. Two (2) breast pump kits as well as appropriately sized breast pump  
14                  flanges and other lactation accessories recommended by a licensed  
15                  health care provider.

16                  (4) (a) The breastfeeding equipment described in subsection (3)(d) of this section  
17                  shall be furnished:

- 18                  1. Within forty-eight (48) hours of notification of need, if requested after  
19                  the birth of the child; or  
20                  2. By the later of two (2) weeks prior to the beneficiary's expected due  
21                  date or seventy-two (72) hours after notification of need, if requested  
22                  prior to the birth of the child.

23                  (b) If the Department for Medicaid Services cannot ensure delivery of  
24                  breastfeeding equipment in accordance with paragraph (a) of this  
25                  subsection, an individual may purchase equipment and the department or  
26                  applicable managed care organization shall reimburse the individual for all  
27                  out-of-pocket expenses incurred by the individual, including any balance



1                    *billing amounts.*

2                    ➔Section 5. KRS 199.894 is amended to read as follows:

3                    As used in KRS 199.892 to 199.896, unless the context otherwise requires:

4                    (1) "Cabinet" means the Cabinet for Health and Family Services;

5                    (2) "Secretary" means secretary for health and family services;

6                    (3) *"Child Care and Development Fund" has the same meaning as in 45 C.F.R. sec.*

7                    *98.2;*

8                    (4) *"Child Care Assistance Program" means the child care subsidy program*  
 9                    *established in Section 6 of this Act;*

10                  (5) "Child-care center" means any child-care center that provides full- or part-time  
 11                  care, day or night, to four (4) or more children in a nonresidential setting who are  
 12                  not the children, grandchildren, nieces, nephews, or children in legal custody of the  
 13                  operator. "Child-care center" shall not include any child-care facility operated by a  
 14                  religious organization while religious services are being conducted, or a youth  
 15                  development agency. For the purposes of this section, "youth development agency"  
 16                  means a program with tax-exempt status under 26 U.S.C. sec. 501(c)(3), which  
 17                  operates continuously throughout the year as an outside-school-hours center for  
 18                  youth who are six (6) years of age or older, and for which there are no fee or  
 19                  scheduled-care arrangements with the parent or guardian of the youth served;

20                  (6)~~(4)~~ "Department" means the Department for Community Based Services; and

21                  (7)~~(5)~~ "Family child-care home" means a private home that is the primary residence  
 22                  of an individual who provides full or part-time care day or night for six (6) or fewer  
 23                  children who are not the children, siblings, stepchildren, grandchildren, nieces,  
 24                  nephews, or children in legal custody of the provider.

25                  ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 199.892 TO 199.896 IS  
 26                  CREATED TO READ AS FOLLOWS:

27                  (1) *The Child Care Assistance Program is hereby established within the cabinet. The*

1 *Child Care Assistance Program shall utilize federal Child Care and Development*  
 2 *Fund block grant funds to provide low-income families with financial support to*  
 3 *find and afford quality child care.*

4 *(2) In administering the Child Care Assistance program, the cabinet shall:*

5 *(a) Establish income-based eligibility criteria for the program which shall not*  
 6 *be less than eighty-five percent (85%) of the state's median income;*

7 *(b) Establish a minimum reimbursement rate for participating child care*  
 8 *providers which shall not be less than eighty-five percent (85%) of the local*  
 9 *market rate for child care providers;*

10 *(c) Establish a six (6) month benefit phase-out period for eligible participants*  
 11 *whose income increase to amount in excess of the program's income*  
 12 *eligibility criteria; and*

13 *(d) Prohibit participating child care providers from charging overages to*  
 14 *program participants.*

15 *(3) The cabinet may promulgate administrative regulations necessary to carry out the*  
 16 *provisions of this section.*

17 ➔Section 7. KRS 139.010 is amended to read as follows:

18 As used in this chapter, unless the context otherwise provides:

19 (1) (a) "Admissions" means the fees paid for:

20 1. The right of entrance to a display, program, sporting event, music  
 21 concert, performance, play, show, movie, exhibit, fair, or other  
 22 entertainment or amusement event or venue; and

23 2. The privilege of using facilities or participating in an event or activity,  
 24 including but not limited to:

25 a. Bowling centers;

26 b. Skating rinks;

27 c. Health spas;

- 1 d. Swimming pools;  
2 e. Tennis courts;  
3 f. Weight training facilities;  
4 g. Fitness and recreational sports centers; and  
5 h. Golf courses, both public and private;  
6 regardless of whether the fee paid is per use or in any other form,  
7 including but not limited to an initiation fee, monthly fee, membership  
8 fee, or combination thereof.

9 (b) "Admissions" does not include:

- 10 1. Any fee paid to enter or participate in a fishing tournament; or  
11 2. Any fee paid for the use of a boat ramp for the purpose of allowing  
12 boats to be launched into or hauled out from the water;

13 (2) "Advertising and promotional direct mail" means direct mail the primary purpose of  
14 which is to attract public attention to a product, person, business, or organization, or  
15 to attempt to sell, popularize, or secure financial support for a product, person,  
16 business, or organization. As used in this definition, "product" means tangible  
17 personal property, an item transferred electronically, or a service;

18 (3) **"Breast pump":**

19 **(a) Means an electrically or manually controlled pump device designed or**  
20 **marketed to be used to express milk from a human breast during lactation;**  
21 **and**

22 **(b) Includes the electrically or manually controlled pump device and any**  
23 **battery, AC adapter, or other power supply unit packaged and sold with the**  
24 **pump device at the time of sale to power the pump device;**

25 **(4) "Breast pump collection and storage supplies":**

26 **(a) Means items of tangible personal property designed or marketed to be used**  
27 **in conjunction with a breast pump to collect milk expressed from a human**

1 breast and to store collected milk until it is ready for consumption; and

2 (b) Includes but is not limited to:

3 1. Breast shields and breast shield connectors;

4 2. Breast pump tubes and tubing adapters;

5 3. Breast pump valves and membranes;

6 4. Backflow protectors and backflow protector adapters;

7 5. Bottles and bottle caps specific to the operation of the breast pump;

8 6. Breast milk storage bags; and

9 7. Other items that may be useful to initiate, support, or sustain breast-  
10 feeding using a breast pump during lactation, that may be sold  
11 separately, but are generally sold as part of a breast pump kit.

12 (c) "Breast pump collection and storage supplies" does not include, unless sold  
13 as part of a breast pump kit prepackaged by the breast pump manufacturer  
14 or distributor:

15 1. Bottles and bottle caps not specific to the operation of the breast  
16 pump;

17 2. Breast pump travel bags and other similar carrying accessories,  
18 including ice packs, labels, and other similar products;

19 3. Breast pump cleaning supplies;

20 4. Nursing bras, bra pads, breast shells, and other similar products; and

21 5. Creams, ointments, and other similar products that relieve  
22 breastfeeding-related symptoms or conditions of the breasts or nipples;

23 (5) "Breast pump kit" means a kit that contains a breast pump and one (1) or more  
24 of the following items:

25 (a) Breast pump collection and storage supplies; and

26 (b) Other taxable items of tangible personal property that may be useful to  
27 initiate, support, or sustain breastfeeding using a breast pump during

1           *lactation, so long as the other taxable items of tangible personal property*  
2           *sold with the breast pump kit at the time of sale are less than ten percent*  
3           *(10%) of the total sales price of the breast pump kit;*

4     ~~(6)~~ "Business" includes any activity engaged in by any person or caused to be engaged  
5           in by that person with the object of gain, benefit, or advantage, either direct or  
6           indirect;

7     ~~(7)~~ *"Children's diapers" are diapers marketed to be worn by children;*

8     ~~(8)~~ (a) *"Clothing" means all human wearing apparel suitable for general use.*

9           ~~(b)~~ *"Clothing" does not include children's diapers;*

10  ~~(9)~~~~(4)~~ "Commonwealth" means the Commonwealth of Kentucky;

11  ~~(10)~~~~(5)~~ (a) "Cosmetic surgery services" means modifications to all areas of the  
12           head, neck, and body to enhance appearance through surgical and medical  
13           techniques.

14           (b) "Cosmetic surgery services" does not include surgery services that are  
15           medically necessary to reconstruct or correct dysfunctional areas of the face  
16           and body due to birth disorders, trauma, burns, or disease;

17  ~~(11)~~~~(6)~~ "Department" means the Department of Revenue;

18  ~~(12)~~ *"Diaper" means an absorbent garment worn by humans who are incapable of, or*  
19           *have difficulty, controlling their bladder or bowel movements;*

20  ~~(13)~~~~(7)~~ (a) "Digital audio-visual works" means a series of related images which,  
21           when shown in succession, impart an impression of motion, with  
22           accompanying sounds, if any.

23           (b) "Digital audio-visual works" includes movies, motion pictures, musical  
24           videos, news and entertainment programs, and live events.

25           (c) "Digital audio-visual works" shall not include video greeting cards, video  
26           games, and electronic games;

27  ~~(14)~~~~(8)~~ (a) "Digital audio works" means works that result from the fixation of a

1 series of musical, spoken, or other sounds.

2 (b) "Digital audio works" includes ringtones, recorded or live songs, music,  
3 readings of books or other written materials, speeches, or other sound  
4 recordings.

5 (c) "Digital audio works" shall not include audio greeting cards sent by electronic  
6 mail;

7 ~~(15)~~<sup>(9)</sup> (a) "Digital books" means works that are generally recognized in the  
8 ordinary and usual sense as books, including any literary work expressed in  
9 words, numbers, or other verbal or numerical symbols or indicia if the literary  
10 work is generally recognized in the ordinary or usual sense as a book.

11 (b) "Digital books" shall not include digital audio-visual works, digital audio  
12 works, periodicals, magazines, newspapers, or other news or information  
13 products, chat rooms, or weblogs;

14 ~~(16)~~<sup>(10)</sup> (a) "Digital code" means a code which provides a purchaser with a right to  
15 obtain one (1) or more types of digital property. A "digital code" may be  
16 obtained by any means, including electronic mail messaging or by tangible  
17 means, regardless of the code's designation as a song code, video code, or  
18 book code.

19 (b) "Digital code" shall not include a code that represents:

- 20 1. A stored monetary value that is deducted from a total as it is used by the  
21 purchaser; or  
22 2. A redeemable card, gift card, or gift certificate that entitles the holder to  
23 select specific types of digital property;

24 ~~(17)~~<sup>(11)</sup> (a) "Digital property" means any of the following which is transferred  
25 electronically:

- 26 1. Digital audio works;  
27 2. Digital books;

- 1           3.    Finished artwork;
- 2           4.    Digital photographs;
- 3           5.    Periodicals;
- 4           6.    Newspapers;
- 5           7.    Magazines;
- 6           8.    Video greeting cards;
- 7           9.    Audio greeting cards;
- 8           10. Video games;
- 9           11. Electronic games; or
- 10          12. Any digital code related to this property.

11          (b) "Digital property" shall not include digital audio-visual works or satellite  
 12            radio programming;

13          ~~(18)~~~~(12)~~ (a) "Direct mail" means printed material delivered or distributed by United  
 14            States mail or other delivery service to a mass audience or to addressees on a  
 15            mailing list provided by the purchaser or at the direction of the purchaser  
 16            when the cost of the items are not billed directly to the recipient.

17          (b) "Direct mail" includes tangible personal property supplied directly or  
 18            indirectly by the purchaser to the direct mail retailer for inclusion in the  
 19            package containing the printed material.

20          (c) "Direct mail" does not include multiple items of printed material delivered to  
 21            a single address;

22          ~~(19)~~~~(13)~~ "Directly used in the manufacturing or industrial processing process" means  
 23            the process that commences with the movement of raw materials from storage into  
 24            a continuous, unbroken, integrated process and ends when the finished product is  
 25            packaged and ready for sale;

26          ~~(20)~~~~(14)~~ (a) "Executive employee recruitment services" means services provided by  
 27            a person to locate potential candidates to fill open senior-level management

1 positions.

2 (b) "Executive employee recruitment services" includes but is not limited to  
3 making a detailed list of client requirements, researching and identifying  
4 potential candidates, performing prescreening interviews, and providing  
5 contract and salary negotiations;

6 ~~(21)~~~~(15)~~ (a) "Extended warranty services" means services provided through a service  
7 contract agreement between the contract provider and the purchaser where the  
8 purchaser agrees to pay compensation for the contract and the provider agrees  
9 to repair, replace, support, or maintain tangible personal property, digital  
10 property, real property, or prewritten computer software access services  
11 according to the terms of the contract.

12 (b) "Extended warranty services" does not include the sale of a service contract  
13 agreement for tangible personal property to be used by a small telephone  
14 utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in  
15 KRS 65.7621 to deliver communications services as defined in KRS 136.602  
16 or broadband;

17 ~~(22)~~~~(16)~~ (a) "Finished artwork" means final art that is used for actual reproduction  
18 by photomechanical or other processes or for display purposes.

19 (b) "Finished artwork" includes:

- 20 1. Assemblies;
- 21 2. Charts;
- 22 3. Designs;
- 23 4. Drawings;
- 24 5. Graphs;
- 25 6. Illustrative materials;
- 26 7. Lettering;
- 27 8. Mechanicals;



1           9.    Paintings; and

2           10.   Paste-ups;

3    ~~(23)~~~~(17)~~ (a)  "Gross receipts" and "sales price" mean the total amount or  
4           consideration, including cash, credit, property, and services, for which  
5           tangible personal property, digital property, or services are sold, leased, or  
6           rented, valued in money, whether received in money or otherwise, without  
7           any deduction for any of the following:

8           1.    The retailer's cost of the tangible personal property, digital property, or  
9           services sold;

10          2.   The cost of the materials used, labor or service cost, interest, losses, all  
11          costs of transportation to the retailer, all taxes imposed on the retailer, or  
12          any other expense of the retailer;

13          3.   Charges by the retailer for any services necessary to complete the sale;

14          4.   Delivery charges, which are defined as charges by the retailer for the  
15          preparation and delivery to a location designated by the purchaser  
16          including transportation, shipping, postage, handling, crating, and  
17          packing;

18          5.   Any amount for which credit is given to the purchaser by the retailer,  
19          other than credit for tangible personal property or digital property traded  
20          when the tangible personal property or digital property traded is of like  
21          kind and character to the property purchased and the property traded is  
22          held by the retailer for resale; and

23          6.   The amount charged for labor or services rendered in installing or  
24          applying the tangible personal property, digital property, or service sold.

25          (b)  "Gross receipts" and "sales price" shall include consideration received by the  
26          retailer from a third party if:

27          1.   The retailer actually receives consideration from a third party and the

1 consideration is directly related to a price reduction or discount on the  
2 sale to the purchaser;

3 2. The retailer has an obligation to pass the price reduction or discount  
4 through to the purchaser;

5 3. The amount of consideration attributable to the sale is fixed and  
6 determinable by the retailer at the time of the sale of the item to the  
7 purchaser; and

8 4. One (1) of the following criteria is met:

9 a. The purchaser presents a coupon, certificate, or other  
10 documentation to the retailer to claim a price reduction or discount  
11 where the coupon, certificate, or documentation is authorized,  
12 distributed, or granted by a third party with the understanding that  
13 the third party will reimburse any seller to whom the coupon,  
14 certificate, or documentation is presented;

15 b. The price reduction or discount is identified as a third-party price  
16 reduction or discount on the invoice received by the purchaser or  
17 on a coupon, certificate, or other documentation presented by the  
18 purchaser; or

19 c. The purchaser identifies himself or herself to the retailer as a  
20 member of a group or organization entitled to a price reduction or  
21 discount. A "preferred customer" card that is available to any  
22 patron does not constitute membership in such a group.

23 (c) "Gross receipts" and "sales price" shall not include:

24 1. Discounts, including cash, term, or coupons that are not reimbursed by a  
25 third party and that are allowed by a retailer and taken by a purchaser on  
26 a sale;

27 2. Interest, financing, and carrying charges from credit extended on the

1 sale of tangible personal property, digital property, or services, if the  
2 amount is separately stated on the invoice, bill of sale, or similar  
3 document given to the purchaser;

4 3. Any taxes legally imposed directly on the purchaser that are separately  
5 stated on the invoice, bill of sale, or similar document given to the  
6 purchaser; or

7 4. Local alcohol regulatory license fees authorized under KRS 243.075 that  
8 are separately stated on the invoice, bill of sale, or similar document  
9 given to the purchaser.

10 (d) As used in this subsection, "third party" means a person other than the  
11 purchaser;

12 ~~(24)~~~~(18)~~ "In this state" or "in the state" means within the exterior limits of the  
13 Commonwealth and includes all territory within these limits owned by or ceded to  
14 the United States of America;

15 ~~(25)~~~~(19)~~ "Industrial processing" includes:

16 (a) Refining;

17 (b) Extraction of minerals, ores, coal, clay, stone, petroleum, or natural gas;

18 (c) Mining, quarrying, fabricating, and industrial assembling;

19 (d) The processing and packaging of raw materials, in-process materials, and  
20 finished products; and

21 (e) The processing and packaging of farm and dairy products for sale;

22 ~~(26)~~~~(20)~~ (a) "Lease or rental" means any transfer of possession or control of tangible  
23 personal property for a fixed or indeterminate term for consideration. A lease  
24 or rental shall include future options to:

25 1. Purchase the property; or

26 2. Extend the terms of the agreement and agreements covering trailers  
27 where the amount of consideration may be increased or decreased by

1 reference to the amount realized upon sale or disposition of the property  
2 as defined in 26 U.S.C. sec. 7701(h)(1).

3 (b) "Lease or rental" shall not include:

- 4 1. A transfer of possession or control of property under a security  
5 agreement or deferred payment plan that requires the transfer of title  
6 upon completion of the required payments;
- 7 2. A transfer of possession or control of property under an agreement that  
8 requires the transfer of title upon completion of the required payments  
9 and payment of an option price that does not exceed the greater of one  
10 hundred dollars (\$100) or one percent (1%) of the total required  
11 payments; or
- 12 3. Providing tangible personal property and an operator for the tangible  
13 personal property for a fixed or indeterminate period of time. To qualify  
14 for this exclusion, the operator must be necessary for the equipment to  
15 perform as designed, and the operator must do more than maintain,  
16 inspect, or setup the tangible personal property.

17 (c) This definition shall apply regardless of the classification of a transaction  
18 under generally accepted accounting principles, the Internal Revenue Code, or  
19 other provisions of federal, state, or local law;

20 ~~(27)~~~~(21)~~ (a) "Lobbying services" means the act of promoting or securing passage of  
21 legislation or an attempt to influence or sway a public official or other public  
22 servant toward a desired action, including but not limited to the support of or  
23 opposition to a project or the passage, amendment, defeat, approval, or veto of  
24 any legislation, regulation, rule, or ordinance;

25 (b) "Lobbying services" includes but is not limited to the performance of  
26 activities described as executive agency lobbying activities as defined in KRS  
27 11A.201, activities described under the definition of lobby in KRS 6.611, and

- 1 any similar activities performed at the local, state, or federal levels;
- 2 ~~(28)~~~~(22)~~ (a) "Machinery for new and expanded industry" means machinery:
- 3 1. Directly used in the manufacturing or industrial processing process of:
- 4 a. Tangible personal property at a plant facility;
- 5 b. Distilled spirits or wine at a plant facility or on the premises of a
- 6 distiller, rectifier, winery, or small farm winery licensed under
- 7 KRS 243.030 that includes a retail establishment on the premises;
- 8 or
- 9 c. Malt beverages at a plant facility or on the premises of a brewer or
- 10 microbrewery licensed under KRS 243.040 that includes a retail
- 11 establishment;
- 12 2. Which is incorporated for the first time into:
- 13 a. A plant facility established in this state; or
- 14 b. Licensed premises located in this state; and
- 15 3. Which does not replace machinery in the plant facility or licensed
- 16 premises unless that machinery purchased to replace existing machinery:
- 17 a. Increases the consumption of recycled materials at the plant
- 18 facility by not less than ten percent (10%);
- 19 b. Performs different functions;
- 20 c. Is used to manufacture a different product; or
- 21 d. Has a greater productive capacity, as measured in units of
- 22 production, than the machinery being replaced.
- 23 (b) "Machinery for new and expanded industry" does not include repair,
- 24 replacement, or spare parts of any kind, regardless of whether the purchase of
- 25 repair, replacement, or spare parts is required by the manufacturer or seller as
- 26 a condition of sale or as a condition of warranty;

27 ~~(29)~~~~(23)~~ "Manufacturing" means any process through which material having little or

1 no commercial value for its intended use before processing has appreciable  
2 commercial value for its intended use after processing by the machinery;

3 ~~(30)~~~~(24)~~ "Marketplace" means any physical or electronic means through which one (1)  
4 or more retailers may advertise and sell tangible personal property, digital property,  
5 or services, or lease tangible personal property or digital property, such as a catalog,  
6 Internet website, or television or radio broadcast, regardless of whether the tangible  
7 personal property, digital property, or retailer is physically present in this state;

8 ~~(31)~~~~(25)~~ (a) "Marketplace provider" means a person, including any affiliate of the  
9 person, that facilitates a retail sale by satisfying subparagraphs 1. and 2. of  
10 this paragraph as follows:

- 11 1. The person directly or indirectly:
  - 12 a. Lists, makes available, or advertises tangible personal property,  
13 digital property, or services for sale by a marketplace retailer in a  
14 marketplace owned, operated, or controlled by the person;
  - 15 b. Facilitates the sale of a marketplace retailer's product through a  
16 marketplace by transmitting or otherwise communicating an offer  
17 or acceptance of a retail sale of tangible personal property, digital  
18 property, or services between a marketplace retailer and a  
19 purchaser in a forum including a shop, store, booth, catalog,  
20 Internet site, or similar forum;
  - 21 c. Owns, rents, licenses, makes available, or operates any electronic  
22 or physical infrastructure or any property, process, method,  
23 copyright, trademark, or patent that connects marketplace retailers  
24 to purchasers for the purpose of making retail sales of tangible  
25 personal property, digital property, or services;
  - 26 d. Provides a marketplace for making retail sales of tangible personal  
27 property, digital property, or services, or otherwise facilitates retail

- 1 sales of tangible personal property, digital property, or services,  
2 regardless of ownership or control of the tangible personal  
3 property, digital property, or services, that are the subject of the  
4 retail sale;
- 5 e. Provides software development or research and development  
6 activities related to any activity described in this subparagraph, if  
7 the software development or research and development activities  
8 are directly related to the physical or electronic marketplace  
9 provided by a marketplace provider;
- 10 f. Provides or offers fulfillment or storage services for a marketplace  
11 retailer;
- 12 g. Sets prices for a marketplace retailer's sale of tangible personal  
13 property, digital property, or services;
- 14 h. Provides or offers customer service to a marketplace retailer or a  
15 marketplace retailer's customers, or accepts or assists with taking  
16 orders, returns, or exchanges of tangible personal property, digital  
17 property, or services sold by a marketplace retailer; or
- 18 i. Brands or otherwise identifies sales as those of the marketplace  
19 provider; and
- 20 2. The person directly or indirectly:
- 21 a. Collects the sales price or purchase price of a retail sale of tangible  
22 personal property, digital property, or services;
- 23 b. Provides payment processing services for a retail sale of tangible  
24 personal property, digital property, or services;
- 25 c. Through terms and conditions, agreements, or arrangements with a  
26 third party, collects payment in connection with a retail sale of  
27 tangible personal property, digital property, or services from a

1 purchaser and transmits that payment to the marketplace retailer,  
2 regardless of whether the person collecting and transmitting the  
3 payment receives compensation or other consideration in exchange  
4 for the service; or

5 d. Provides a virtual currency that purchasers are allowed or required  
6 to use to purchase tangible personal property, digital property, or  
7 services.

8 (b) "Marketplace provider" includes but is not limited to a person that satisfies the  
9 requirements of this subsection through the ownership, operation, or control  
10 of a digital distribution service, digital distribution platform, online portal, or  
11 application store;

12 ~~(32)~~~~(26)~~ "Marketplace retailer" means a seller that makes retail sales through any  
13 marketplace owned, operated, or controlled by a marketplace provider;

14 ~~(33)~~~~(27)~~ (a) "Occasional sale" includes:

15 1. A sale of tangible personal property or digital property not held or used  
16 by a seller in the course of an activity for which he or she is required to  
17 hold a seller's permit, provided such sale is not one (1) of a series of  
18 sales sufficient in number, scope, and character to constitute an activity  
19 requiring the holding of a seller's permit. In the case of the sale of the  
20 entire, or a substantial portion of the nonretail assets of the seller, the  
21 number of previous sales of similar assets shall be disregarded in  
22 determining whether or not the current sale or sales shall qualify as an  
23 occasional sale; or

24 2. Any transfer of all or substantially all the tangible personal property or  
25 digital property held or used by a person in the course of such an activity  
26 when after such transfer the real or ultimate ownership of such property  
27 is substantially similar to that which existed before such transfer.



1 (b) For the purposes of this subsection, stockholders, bondholders, partners, or  
2 other persons holding an interest in a corporation or other entity are regarded  
3 as having the "real or ultimate ownership" of the tangible personal property or  
4 digital property of such corporation or other entity;

5 ~~(34)~~~~(28)~~ (a) "Other direct mail" means any direct mail that is not advertising and  
6 promotional direct mail, regardless of whether advertising and promotional  
7 direct mail is included in the same mailing.

8 (b) "Other direct mail" includes but is not limited to:

- 9 1. Transactional direct mail that contains personal information specific to  
10 the addressee, including but not limited to invoices, bills, statements of  
11 account, and payroll advices;
- 12 2. Any legally required mailings, including but not limited to privacy  
13 notices, tax reports, and stockholder reports; and
- 14 3. Other nonpromotional direct mail delivered to existing or former  
15 shareholders, customers, employees, or agents, including but not limited  
16 to newsletters and informational pieces.

17 (c) "Other direct mail" does not include the development of billing information or  
18 the provision of any data processing service that is more than incidental to the  
19 production of printed material;

20 ~~(35)~~~~(29)~~ "Person" includes any individual, firm, copartnership, joint venture,  
21 association, social club, fraternal organization, corporation, estate, trust, business  
22 trust, receiver, trustee, syndicate, cooperative, assignee, governmental unit or  
23 agency, or any other group or combination acting as a unit;

24 ~~(36)~~~~(30)~~ "Permanent," as the term applies to digital property, means perpetual or for an  
25 indefinite or unspecified length of time;

26 ~~(37)~~~~(31)~~ (a) "Photography and photofinishing services" means:

- 27 1. The taking, developing, or printing of an original photograph; or

1           2. Image editing, including shadow removal, tone adjustments, vertical and  
2           horizontal alignment and cropping, composite image creation,  
3           formatting, watermarking printing, and delivery of an original  
4           photograph in the form of tangible personal property, digital property, or  
5           other media.

6           (b) "Photography and photofinishing services" does not include photography  
7           services necessary for medical or dental health;

8           ~~(38)~~~~(32)~~ "Plant facility" means a single location that is exclusively dedicated to  
9           manufacturing or industrial processing activities. A location shall be deemed to be  
10          exclusively dedicated to manufacturing or industrial processing activities even if  
11          retail sales are made there, provided that the retail sales are incidental to the  
12          manufacturing or industrial processing activities occurring at the location. The term  
13          "plant facility" shall not include any restaurant, grocery store, shopping center, or  
14          other retail establishment;

15          ~~(39)~~~~(33)~~ (a) "Prewritten computer software" means:

16           1. Computer software, including prewritten upgrades, that are not designed  
17           and developed by the author or other creator to the specifications of a  
18           specific purchaser;

19           2. Software designed and developed by the author or other creator to the  
20           specifications of a specific purchaser when it is sold to a person other  
21           than the original purchaser; or

22           3. Any portion of prewritten computer software that is modified or  
23           enhanced in any manner, where the modification or enhancement is  
24           designed and developed to the specifications of a specific purchaser,  
25           unless there is a reasonable, separately stated charge on an invoice or  
26           other statement of the price to the purchaser for the modification or  
27           enhancement.

1 (b) When a person modifies or enhances computer software of which the person  
2 is not the author or creator, the person shall be deemed to be the author or  
3 creator only of the modifications or enhancements the person actually made.

4 (c) The combining of two (2) or more prewritten computer software programs or  
5 portions thereof does not cause the combination to be other than prewritten  
6 computer software;

7 ~~(40)~~~~(34)~~ "Prewritten computer software access services" means the right of access to  
8 prewritten computer software where the object of the transaction is to use the  
9 prewritten computer software while possession of the prewritten computer software  
10 is maintained by the seller or a third party, wherever located, regardless of whether  
11 the charge for the access or use is on a per use, per user, per license, subscription, or  
12 some other basis;

13 ~~(41)~~~~(35)~~ (a) "Purchase" means any transfer of title or possession, exchange, barter,  
14 lease, or rental, conditional or otherwise, in any manner or by any means  
15 whatsoever, of:

- 16 1. Tangible personal property;
- 17 2. An extended warranty service;
- 18 3. Digital property transferred electronically; or
- 19 4. Services included in KRS 139.200;
- 20 for a consideration.

21 (b) "Purchase" includes:

- 22 1. When performed outside this state or when the customer gives a resale  
23 certificate, the producing, fabricating, processing, printing, or imprinting  
24 of tangible personal property for a consideration for consumers who  
25 furnish either directly or indirectly the materials used in the producing,  
26 fabricating, processing, printing, or imprinting;
- 27 2. A transaction whereby the possession of tangible personal property or

1 digital property is transferred but the seller retains the title as security  
2 for the payment of the price; and

3 3. A transfer for a consideration of the title or possession of tangible  
4 personal property or digital property which has been produced,  
5 fabricated, or printed to the special order of the customer, or of any  
6 publication;

7 ~~(42)~~~~(36)~~ "Recycled materials" means materials which have been recovered or diverted  
8 from the solid waste stream and reused or returned to use in the form of raw  
9 materials or products;

10 ~~(43)~~~~(37)~~ "Recycling purposes" means those activities undertaken in which materials  
11 that would otherwise become solid waste are collected, separated, or processed in  
12 order to be reused or returned to use in the form of raw materials or products;

13 ~~(44)~~~~(38)~~ "Remote retailer" means a retailer with no physical presence in this state;

14 ~~(45)~~~~(39)~~ (a) "Repair, replacement, or spare parts" means any tangible personal  
15 property used to maintain, restore, mend, or repair machinery or equipment.

16 (b) "Repair, replacement, or spare parts" does not include machine oils, grease, or  
17 industrial tools;

18 ~~(46)~~~~(40)~~ (a) "Retailer" means:

19 1. Every person engaged in the business of making retail sales of tangible  
20 personal property, digital property, or furnishing any services in a retail  
21 sale included in KRS 139.200;

22 2. Every person engaged in the business of making sales at auction of  
23 tangible personal property or digital property owned by the person or  
24 others for storage, use or other consumption, except as provided in  
25 paragraph (c) of this subsection;

26 3. Every person making more than two (2) retail sales of tangible personal  
27 property, digital property, or services included in KRS 139.200 during

1                   any twelve (12) month period, including sales made in the capacity of  
2                   assignee for the benefit of creditors, or receiver or trustee in bankruptcy;

3           4.   Any person conducting a race meeting under the provision of KRS  
4           Chapter 230, with respect to horses which are claimed during the  
5           meeting.

6           (b)   When the department determines that it is necessary for the efficient  
7           administration of this chapter to regard any salesmen, representatives,  
8           peddlers, or canvassers as the agents of the dealers, distributors, supervisors or  
9           employers under whom they operate or from whom they obtain the tangible  
10          personal property, digital property, or services sold by them, irrespective of  
11          whether they are making sales on their own behalf or on behalf of the dealers,  
12          distributors, supervisors or employers, the department may so regard them and  
13          may regard the dealers, distributors, supervisors or employers as retailers for  
14          purposes of this chapter.

15          (c)   1.   Any person making sales at a charitable auction for a qualifying entity  
16          shall not be a retailer for purposes of the sales made at the charitable  
17          auction if:

18               a.   The qualifying entity, not the person making sales at the auction, is  
19               sponsoring the auction;

20               b.   The purchaser of tangible personal property at the auction directly  
21               pays the qualifying entity sponsoring the auction for the property  
22               and not the person making the sales at the auction; and

23               c.   The qualifying entity, not the person making sales at the auction, is  
24               responsible for the collection, control, and disbursement of the  
25               auction proceeds.

26          2.   If the conditions set forth in subparagraph 1. of this paragraph are met,  
27          the qualifying entity sponsoring the auction shall be the retailer for

1 purposes of the sales made at the charitable auction.

2 3. For purposes of this paragraph, "qualifying entity" means a resident:

3 a. Church;

4 b. School;

5 c. Civic club; or

6 d. Any other nonprofit charitable, religious, or educational  
7 organization;

8 ~~(47)~~~~((41))~~ "Retail sale" means any sale, lease, or rental for any purpose other than resale,  
9 sublease, or subrent;

10 ~~(48)~~~~((42))~~ (a) "Ringtones" means digitized sound files that are downloaded onto a  
11 device and that may be used to alert the customer with respect to a  
12 communication.

13 (b) "Ringtones" shall not include ringback tones or other digital files that are not  
14 stored on the purchaser's communications device;

15 ~~(49)~~~~((43))~~ (a) "Sale" means:

16 1. The furnishing of any services included in KRS 139.200;

17 2. Any transfer of title or possession, exchange, barter, lease, or rental,  
18 conditional or otherwise, in any manner or by any means whatsoever,  
19 of:

20 a. Tangible personal property; or

21 b. Digital property transferred electronically;

22 for a consideration.

23 (b) "Sale" includes but is not limited to:

24 1. The producing, fabricating, processing, printing, or imprinting of  
25 tangible personal property or digital property for a consideration for  
26 purchasers who furnish, either directly or indirectly, the materials used  
27 in the producing, fabricating, processing, printing, or imprinting;

1           2. A transaction whereby the possession of tangible personal property or  
2           digital property is transferred, but the seller retains the title as security  
3           for the payment of the price; and

4           3. A transfer for a consideration of the title or possession of tangible  
5           personal property or digital property which has been produced,  
6           fabricated, or printed to the special order of the purchaser.

7           (c) This definition shall apply regardless of the classification of a transaction  
8           under generally accepted accounting principles, the Internal Revenue Code, or  
9           other provisions of federal, state, or local law;

10        ~~(50)~~~~(44)~~ "Seller" includes every person engaged in the business of selling tangible  
11        personal property, digital property, or services of a kind, the gross receipts from the  
12        retail sale of which are required to be included in the measure of the sales tax, and  
13        every person engaged in making sales for resale;

14        ~~(51)~~~~(45)~~ (a) "Storage" includes any keeping or retention in this state for any purpose  
15        except sale in the regular course of business or subsequent use solely outside  
16        this state of tangible personal property, digital property, or prewritten  
17        computer software access services purchased from a retailer.

18        (b) "Storage" does not include the keeping, retaining, or exercising any right or  
19        power over tangible personal property for the purpose of subsequently  
20        transporting it outside the state for use thereafter solely outside the state, or  
21        for the purpose of being processed, fabricated, or manufactured into, attached  
22        to, or incorporated into, other tangible personal property to be transported  
23        outside the state and thereafter used solely outside the state;

24        ~~(52)~~~~(46)~~ "Tangible personal property" means personal property which may be seen,  
25        weighed, measured, felt, or touched, or which is in any other manner perceptible to  
26        the senses and includes natural, artificial, and mixed gas, electricity, water, steam,  
27        and prewritten computer software;

1 ~~(53)~~~~(47)~~ "Taxpayer" means any person liable for tax under this chapter;

2 ~~(54)~~~~(48)~~ "Telemarketing services" means services provided via telephone, facsimile,  
3 electronic mail, text messages, or other modes of communications to another  
4 person, which are unsolicited by that person, for the purposes of:

- 5 (a) 1. Promoting products or services;  
6 2. Taking orders; or  
7 3. Providing information or assistance regarding the products or services;  
8 or  
9 (b) Soliciting contributions;

10 ~~(55)~~~~(49)~~ "Transferred electronically" means accessed or obtained by the purchaser by  
11 means other than tangible storage media; and

12 ~~(56)~~~~(50)~~ (a) "Use" includes the exercise of:

- 13 1. Any right or power over tangible personal property or digital property  
14 incident to the ownership of that property, or by any transaction in  
15 which possession is given, or by any transaction involving digital  
16 property or tangible personal property where the right of access is  
17 granted; or  
18 2. Any right or power to benefit from any services subject to tax under  
19 KRS 139.200(2)(p) to (ax).

20 (b) "Use" does not include the keeping, retaining, or exercising any right or  
21 power over:

- 22 1. Tangible personal property or digital property for the purpose of:  
23 a. Selling tangible personal property or digital property in the regular  
24 course of business; or  
25 b. Subsequently transporting tangible personal property outside the  
26 state for use thereafter solely outside the state, or for the purpose  
27 of being processed, fabricated, or manufactured into, attached to,



1 or incorporated into, other tangible personal property to be  
2 transported outside the state and thereafter used solely outside the  
3 state; or

4 2. Prewritten computer software access services purchased for use outside  
5 the state and transferred electronically outside the state for use thereafter  
6 solely outside the state.

7 ➔Section 8. KRS 139.480 (Effective until January 1, 2025) is amended to read as  
8 follows:

9 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at  
10 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not  
11 include the sale, use, storage, or other consumption of:

12 (1) Locomotives or rolling stock, including materials for the construction, repair, or  
13 modification thereof, or fuel or supplies for the direct operation of locomotives and  
14 trains, used or to be used in interstate commerce;

15 (2) Coal for the manufacture of electricity;

16 (3) (a) All energy or energy-producing fuels used in the course of manufacturing,  
17 processing, mining, or refining and any related distribution, transmission, and  
18 transportation services for this energy that are billed to the user, to the extent  
19 that the cost of the energy or energy-producing fuels used, and related  
20 distribution, transmission, and transportation services for this energy that are  
21 billed to the user exceed three percent (3%) of the cost of production.

22 (b) Cost of production shall be computed on the basis of a plant facility, which  
23 shall include all operations within the continuous, unbroken, integrated  
24 manufacturing or industrial processing process that ends with a product  
25 packaged and ready for sale.

26 (c) A person who performs a manufacturing or industrial processing activity for a  
27 fee and does not take ownership of the tangible personal property that is

1 incorporated into, or becomes the product of, the manufacturing or industrial  
2 processing activity is a toller. For periods on or after July 1, 2018, the costs of  
3 the tangible personal property shall be excluded from the toller's cost of  
4 production at a plant facility with tolling operations in place as of July 1,  
5 2018.

6 (d) For plant facilities that begin tolling operations after July 1, 2018, the costs of  
7 tangible personal property shall be excluded from the toller's cost of  
8 production if the toller:

- 9 1. Maintains a binding contract for periods after July 1, 2018, that governs  
10 the terms, conditions, and responsibilities with a separate legal entity,  
11 which holds title to the tangible personal property that is incorporated  
12 into, or becomes the product of, the manufacturing or industrial  
13 processing activity;
- 14 2. Maintains accounting records that show the expenses it incurs to fulfill  
15 the binding contract that include but are not limited to energy or energy-  
16 producing fuels, materials, labor, procurement, depreciation,  
17 maintenance, taxes, administration, and office expenses;
- 18 3. Maintains separate payroll, bank accounts, tax returns, and other records  
19 that demonstrate its independent operations in the performance of its  
20 tolling responsibilities;
- 21 4. Demonstrates one (1) or more substantial business purposes for the  
22 tolling operations germane to the overall manufacturing, industrial  
23 processing activities, or corporate structure at the plant facility. A  
24 business purpose is a purpose other than the reduction of sales tax  
25 liability for the purchases of energy and energy-producing fuels; and
- 26 5. Provides information to the department upon request that documents  
27 fulfillment of the requirements in subparagraphs 1. to 4. of this

1 paragraph and gives an overview of its tolling operations with an  
2 explanation of how the tolling operations relate and connect with all  
3 other manufacturing or industrial processing activities occurring at the  
4 plant facility;

5 (4) Livestock of a kind the products of which ordinarily constitute food for human  
6 consumption, provided the sales are made for breeding or dairy purposes and by or  
7 to a person regularly engaged in the business of farming;

8 (5) Poultry for use in breeding or egg production;

9 (6) Farm work stock for use in farming operations;

10 (7) Seeds, the products of which ordinarily constitute food for human consumption or  
11 are to be sold in the regular course of business, and commercial fertilizer to be  
12 applied on land, the products from which are to be used for food for human  
13 consumption or are to be sold in the regular course of business; provided such sales  
14 are made to farmers who are regularly engaged in the occupation of tilling and  
15 cultivating the soil for the production of crops as a business, or who are regularly  
16 engaged in the occupation of raising and feeding livestock or poultry or producing  
17 milk for sale; and provided further that tangible personal property so sold is to be  
18 used only by those persons designated above who are so purchasing;

19 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be  
20 used in the production of crops as a business, or in the raising and feeding of  
21 livestock or poultry, the products of which ordinarily constitute food for human  
22 consumption;

23 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the  
24 products of which ordinarily constitute food for human consumption;

25 (10) Machinery for new and expanded industry;

26 (11) Farm machinery. As used in this section, the term "farm machinery":

27 (a) Means machinery used exclusively and directly in the occupation of:

- 1           1.    Tilling the soil for the production of crops as a business;
- 2           2.    Raising and feeding livestock or poultry for sale; or
- 3           3.    Producing milk for sale;
- 4           (b) Includes machinery, attachments, and replacements therefor, repair parts, and
- 5           replacement parts which are used or manufactured for use on, or in the
- 6           operation of farm machinery and which are necessary to the operation of the
- 7           machinery, and are customarily so used, including but not limited to combine
- 8           header wagons, combine header trailers, or any other implements specifically
- 9           designed and used to move or transport a combine head; and
- 10          (c) Does not include:
- 11           1.    Automobiles;
- 12           2.    Trucks;
- 13           3.    Trailers, except combine header trailers; or
- 14           4.    Truck-trailer combinations;
- 15          (12) Tombstones and other memorial grave markers;
- 16          (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing,
- 17           or handling. The exemption applies to the equipment, machinery, attachments,
- 18           repair and replacement parts, and any materials incorporated into the construction,
- 19           renovation, or repair of the facilities;
- 20          (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption
- 21           shall apply to the equipment, machinery, attachments, repair and replacement parts,
- 22           and any materials incorporated into the construction, renovation, or repair of the
- 23           facilities. The exemption shall apply but not be limited to vent board equipment,
- 24           waterer and feeding systems, brooding systems, ventilation systems, alarm systems,
- 25           and curtain systems. In addition, the exemption shall apply whether or not the seller
- 26           is under contract to deliver, assemble, and incorporate into real estate the
- 27           equipment, machinery, attachments, repair and replacement parts, and any materials

- 1 incorporated into the construction, renovation, or repair of the facilities;
- 2 (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively  
3 and directly to:
- 4 (a) Operate farm machinery as defined in subsection (11) of this section;
- 5 (b) Operate on-farm grain or soybean drying facilities as defined in subsection  
6 (13) of this section;
- 7 (c) Operate on-farm poultry or livestock facilities defined in subsection (14) of  
8 this section;
- 9 (d) Operate on-farm ratite facilities defined in subsection (23) of this section;
- 10 (e) Operate on-farm llama or alpaca facilities as defined in subsection (25) of this  
11 section; or
- 12 (f) Operate on-farm dairy facilities;
- 13 (16) Textbooks, including related workbooks and other course materials, purchased for  
14 use in a course of study conducted by an institution which qualifies as a nonprofit  
15 educational institution under KRS 139.495. The term "course materials" means only  
16 those items specifically required of all students for a particular course but shall not  
17 include notebooks, paper, pencils, calculators, tape recorders, or similar student  
18 aids;
- 19 (17) Any property which has been certified as an alcohol production facility as defined  
20 in KRS 247.910;
- 21 (18) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the  
22 direct operation of aircraft in interstate commerce and used exclusively for the  
23 conveyance of property or passengers for hire. Nominal intrastate use shall not  
24 subject the property to the taxes imposed by this chapter;
- 25 (19) Any property which has been certified as a fluidized bed energy production facility  
26 as defined in KRS 211.390;
- 27 (20) (a) 1. Any property to be incorporated into the construction, rebuilding,

1 modification, or expansion of a blast furnace or any of its components or  
2 appurtenant equipment or structures as part of an approved supplemental  
3 project, as defined by KRS 154.26-010; and

4 2. Materials, supplies, and repair or replacement parts purchased for use in  
5 the operation and maintenance of a blast furnace and related carbon  
6 steel-making operations as part of an approved supplemental project, as  
7 defined by KRS 154.26-010.

8 (b) The exemptions provided in this subsection shall be effective for sales made:

9 1. On and after July 1, 2018; and

10 2. During the term of a supplemental project agreement entered into  
11 pursuant to KRS 154.26-090;

12 (21) Beginning on October 1, 1986, food or food products purchased for human  
13 consumption with food coupons issued by the United States Department of  
14 Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to  
15 be exempted by the Food Security Act of 1985 in order for the Commonwealth to  
16 continue participation in the federal food stamp program;

17 (22) Machinery or equipment purchased or leased by a business, industry, or  
18 organization in order to collect, source separate, compress, bale, shred, or otherwise  
19 handle waste materials if the machinery or equipment is primarily used for  
20 recycling purposes;

21 (23) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and  
22 production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-  
23 products, and the following items used in this agricultural pursuit:

24 (a) Feed and feed additives;

25 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
26 and

27 (c) On-farm facilities, including equipment, machinery, attachments, repair and

1 replacement parts, and any materials incorporated into the construction,  
2 renovation, or repair of the facilities. The exemption shall apply to incubation  
3 systems, egg processing equipment, waterer and feeding systems, brooding  
4 systems, ventilation systems, alarm systems, and curtain systems. In addition,  
5 the exemption shall apply whether or not the seller is under contract to  
6 deliver, assemble, and incorporate into real estate the equipment, machinery,  
7 attachments, repair and replacement parts, and any materials incorporated into  
8 the construction, renovation, or repair of the facilities;

9 (24) Embryos and semen that are used in the reproduction of livestock, if the products of  
10 these embryos and semen ordinarily constitute food for human consumption, and if  
11 the sale is made to a person engaged in the business of farming;

12 (25) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for  
13 the breeding and production of hides, breeding stock, fiber and wool products,  
14 meat, and llama and alpaca by-products, and the following items used in this  
15 pursuit:

16 (a) Feed and feed additives;

17 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
18 and

19 (c) On-farm facilities, including equipment, machinery, attachments, repair and  
20 replacement parts, and any materials incorporated into the construction,  
21 renovation, or repair of the facilities. The exemption shall apply to waterer  
22 and feeding systems, ventilation systems, and alarm systems. In addition, the  
23 exemption shall apply whether or not the seller is under contract to deliver,  
24 assemble, and incorporate into real estate the equipment, machinery,  
25 attachments, repair and replacement parts, and any materials incorporated into  
26 the construction, renovation, or repair of the facilities;

27 (26) Baling twine and baling wire for the baling of hay and straw;

- 1 (27) Water sold to a person regularly engaged in the business of farming and used in the:
- 2 (a) Production of crops;
- 3 (b) Production of milk for sale; or
- 4 (c) Raising and feeding of:
- 5 1. Livestock or poultry, the products of which ordinarily constitute food
- 6 for human consumption; or
- 7 2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;
- 8 (28) Buffalos to be used as beasts of burden or in an agricultural pursuit for the
- 9 production of hides, breeding stock, meat, and buffalo by-products, and the
- 10 following items used in this pursuit:
- 11 (a) Feed and feed additives;
- 12 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 13 and
- 14 (c) On-farm facilities, including equipment, machinery, attachments, repair and
- 15 replacement parts, and any materials incorporated into the construction,
- 16 renovation, or repair of the facilities. The exemption shall apply to waterer
- 17 and feeding systems, ventilation systems, and alarm systems. In addition, the
- 18 exemption shall apply whether or not the seller is under contract to deliver,
- 19 assemble, and incorporate into real estate the equipment, machinery,
- 20 attachments, repair and replacement parts, and any materials incorporated into
- 21 the construction, renovation, or repair of the facilities;
- 22 (29) Aquatic organisms sold directly to or raised by a person regularly engaged in the
- 23 business of producing products of aquaculture, as defined in KRS 260.960, for sale,
- 24 and the following items used in this pursuit:
- 25 (a) Feed and feed additives;
- 26 (b) Water;
- 27 (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;



1           and

2           (d) On-farm facilities, including equipment, machinery, attachments, repair and  
3           replacement parts, and any materials incorporated into the construction,  
4           renovation, or repair of the facilities and, any gasoline, special fuels, liquefied  
5           petroleum gas, or natural gas used to operate the facilities. The exemption  
6           shall apply, but not be limited to: waterer and feeding systems; ventilation,  
7           aeration, and heating systems; processing and storage systems; production  
8           systems such as ponds, tanks, and raceways; harvest and transport equipment  
9           and systems; and alarm systems. In addition, the exemption shall apply  
10          whether or not the seller is under contract to deliver, assemble, and  
11          incorporate into real estate the equipment, machinery, attachments, repair and  
12          replacement parts, and any materials incorporated into the construction,  
13          renovation, or repair of the facilities;

14       (30) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the  
15          production of hides, breeding stock, meat, and cervid by-products, and the  
16          following items used in this pursuit:

17           (a) Feed and feed additives;

18           (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and

19           (c) On-site facilities, including equipment, machinery, attachments, repair and  
20          replacement parts, and any materials incorporated into the construction,  
21          renovation, or repair of the facilities. In addition, the exemption shall apply  
22          whether or not the seller is under contract to deliver, assemble, and  
23          incorporate into real estate the equipment, machinery, attachments, repair and  
24          replacement parts, and any materials incorporated into the construction,  
25          renovation, or repair of the facilities;

26       (31) (a) Repair or replacement parts for the direct operation or maintenance of a motor  
27          vehicle, including any towed unit, used exclusively in interstate commerce for

1 the conveyance of property or passengers for hire, provided the motor vehicle  
2 is licensed for use on the highway and its declared gross vehicle weight with  
3 any towed unit is forty-four thousand and one (44,001) pounds or greater.  
4 Nominal intrastate use shall not subject the property to the taxes imposed by  
5 this chapter; and

6 (b) Repair or replacement parts for the direct operation and maintenance of a  
7 motor vehicle operating under a charter bus certificate issued by the  
8 Transportation Cabinet under KRS Chapter 281, or under similar authority  
9 granted by the United States Department of Transportation.

10 (c) For the purposes of this subsection, "repair or replacement parts" means tires,  
11 brakes, engines, transmissions, drive trains, chassis, body parts, and their  
12 components. "Repair or replacement parts" shall not include fuel, machine  
13 oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential  
14 to the operation of the motor vehicle itself, except when sold as part of the  
15 assembled unit, such as cigarette lighters, radios, lighting fixtures not  
16 otherwise required by the manufacturer for operation of the vehicle, or tool or  
17 utility boxes;

18 (32) Food donated by a retail food establishment or any other entity regulated under  
19 KRS 217.127 to a nonprofit organization for distribution to the needy;

20 (33) Drugs and over-the counter drugs, as defined in KRS 139.472, that are purchased  
21 by a person regularly engaged in the business of farming and used in the treatment  
22 of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, buffalo, aquatic  
23 organisms, or cervids;

24 (34) (a) Building materials, fixtures, or supplies purchased by a construction  
25 contractor if:

26 1. Fulfilled by a construction contract for a sewer or water project with:

27 a. A municipally owned water utility organized under KRS Chapter

- 1                   96;
- 2                   b.    A water district or water commission formed or organized under
- 3                   KRS Chapter 74;
- 4                   c.    A sanitation district established under KRS Chapter 220 or formed
- 5                   pursuant to KRS Chapter 65;
- 6                   d.    A nonprofit corporation created under KRS 58.180 to act on behalf
- 7                   of a governmental agency in the acquisition and financing of
- 8                   public projects;
- 9                   e.    Regional wastewater commissions formed under KRS Chapter
- 10                  278;
- 11                  f.    A municipally owned joint sewer agency formed under KRS
- 12                  Chapter 76; or
- 13                  g.    Any other governmental agency; and
- 14                  2.    The building materials, fixtures, or supplies:
- 15                  a.    Will be permanently incorporated into a structure or improvement
- 16                  to real property, or will be completely consumed, in fulfilling a
- 17                  construction contract for the purpose of furnishing water or sewer
- 18                  services to the general public; and
- 19                  b.    Would be exempt if purchased directly by the entities listed in
- 20                  subparagraph 1. of this paragraph.
- 21                  (b) As used in this subsection, "construction contract" means a:
- 22                          1.    Lump sum contract;
- 23                          2.    Cost plus contract;
- 24                          3.    Materials only contract;
- 25                          4.    Labor and materials contract; or
- 26                          5.    Any other type of contract.
- 27                  (c) The exemption provided in this subsection shall apply without regard to the

1 payment arrangement between the construction contractor, the retailer, and  
 2 the entities listed in paragraph (a)1. of this subsection or to the place of  
 3 delivery for the building materials, fixtures, or supplies;

4 (35) (a) On or after February 25, 2022, the rental of space for meetings, conventions,  
 5 short-term business uses, entertainment events, weddings, banquets, parties,  
 6 and other short-term social events, as referenced in KRS 139.200, if the tax  
 7 established in KRS 139.200 is paid by the primary lessee to the lessor.

8 (b) For the purpose of this subsection, "primary lessee" means the person who  
 9 leases the space and who has a contract with the lessor of the space only if:

- 10 1. The contract between the lessor and the lessee specifies that the lessee  
 11 may sublease, subrent, or otherwise sell the space; ~~and~~
- 12 2. The space is then sublet, subrented, or otherwise sold to exhibitors,  
 13 vendors, sponsors, or other entities and persons who will use the space  
 14 associated with the event to be conducted under the primary lease; and

15 (36) Prewritten computer software access services sold to or purchased by a retailer that  
 16 develops prewritten computer software for print technology and uses and sells  
 17 prewritten computer software access services for print technology; **and**

18 **(37) (a) Baby bottles, including both nipples and liners;**

19 **(b) Baby wipes;**

20 **(c) Breast pumps;**

21 **(d) Breast pump collection and storage supplies;**

22 **(e) Breast pump kits; and**

23 **(f) Children's diapers, including disposable diapers.**

24 ➔Section 9. KRS 139.480 (Effective January 1, 2025) is amended to read as  
 25 follows:

26 Any other provision of this chapter to the contrary notwithstanding, the terms "sale at  
 27 retail," "retail sale," "use," "storage," and "consumption," as used in this chapter, shall not

1 include the sale, use, storage, or other consumption of:

2 (1) Locomotives or rolling stock, including materials for the construction, repair, or  
3 modification thereof, or fuel or supplies for the direct operation of locomotives and  
4 trains, used or to be used in interstate commerce;

5 (2) Coal for the manufacture of electricity;

6 (3) (a) All energy or energy-producing fuels used in the course of manufacturing,  
7 processing, mining, or refining and any related distribution, transmission, and  
8 transportation services for this energy that are billed to the user, to the extent  
9 that the cost of the energy or energy-producing fuels used, and related  
10 distribution, transmission, and transportation services for this energy that are  
11 billed to the user exceed three percent (3%) of the cost of production.

12 (b) Cost of production shall be computed on the basis of a plant facility, which  
13 shall include all operations within the continuous, unbroken, integrated  
14 manufacturing or industrial processing process that ends with a product  
15 packaged and ready for sale.

16 (c) A person who performs a manufacturing or industrial processing activity for a  
17 fee and does not take ownership of the tangible personal property that is  
18 incorporated into, or becomes the product of, the manufacturing or industrial  
19 processing activity is a toller. For periods on or after July 1, 2018, the costs of  
20 the tangible personal property shall be excluded from the toller's cost of  
21 production at a plant facility with tolling operations in place as of July 1,  
22 2018.

23 (d) For plant facilities that begin tolling operations after July 1, 2018, the costs of  
24 tangible personal property shall be excluded from the toller's cost of  
25 production if the toller:

26 1. Maintains a binding contract for periods after July 1, 2018, that governs  
27 the terms, conditions, and responsibilities with a separate legal entity,

- 1           which holds title to the tangible personal property that is incorporated  
2           into, or becomes the product of, the manufacturing or industrial  
3           processing activity;
- 4           2. Maintains accounting records that show the expenses it incurs to fulfill  
5           the binding contract that include but are not limited to energy or energy-  
6           producing fuels, materials, labor, procurement, depreciation,  
7           maintenance, taxes, administration, and office expenses;
- 8           3. Maintains separate payroll, bank accounts, tax returns, and other records  
9           that demonstrate its independent operations in the performance of its  
10          tolling responsibilities;
- 11          4. Demonstrates one (1) or more substantial business purposes for the  
12          tolling operations germane to the overall manufacturing, industrial  
13          processing activities, or corporate structure at the plant facility. A  
14          business purpose is a purpose other than the reduction of sales tax  
15          liability for the purchases of energy and energy-producing fuels; and
- 16          5. Provides information to the department upon request that documents  
17          fulfillment of the requirements in subparagraphs 1. to 4. of this  
18          paragraph and gives an overview of its tolling operations with an  
19          explanation of how the tolling operations relate and connect with all  
20          other manufacturing or industrial processing activities occurring at the  
21          plant facility;
- 22          (4) Livestock of a kind the products of which ordinarily constitute food for human  
23          consumption, provided the sales are made for breeding or dairy purposes and by or  
24          to a person regularly engaged in the business of farming;
- 25          (5) Poultry for use in breeding or egg production;
- 26          (6) Farm work stock for use in farming operations;
- 27          (7) Seeds, the products of which ordinarily constitute food for human consumption or

1 are to be sold in the regular course of business, and commercial fertilizer to be  
2 applied on land, the products from which are to be used for food for human  
3 consumption or are to be sold in the regular course of business; provided such sales  
4 are made to farmers who are regularly engaged in the occupation of tilling and  
5 cultivating the soil for the production of crops as a business, or who are regularly  
6 engaged in the occupation of raising and feeding livestock or poultry or producing  
7 milk for sale; and provided further that tangible personal property so sold is to be  
8 used only by those persons designated above who are so purchasing;

9 (8) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals to be  
10 used in the production of crops as a business, or in the raising and feeding of  
11 livestock or poultry, the products of which ordinarily constitute food for human  
12 consumption;

13 (9) Feed, including pre-mixes and feed additives, for livestock or poultry of a kind the  
14 products of which ordinarily constitute food for human consumption;

15 (10) Machinery for new and expanded industry;

16 (11) Farm machinery. As used in this section, the term "farm machinery":

17 (a) Means machinery used exclusively and directly in the occupation of:

- 18 1. Tilling the soil for the production of crops as a business;
- 19 2. Raising and feeding livestock or poultry for sale; or
- 20 3. Producing milk for sale;

21 (b) Includes machinery, attachments, and replacements therefor, repair parts, and  
22 replacement parts which are used or manufactured for use on, or in the  
23 operation of farm machinery and which are necessary to the operation of the  
24 machinery, and are customarily so used, including but not limited to combine  
25 header wagons, combine header trailers, or any other implements specifically  
26 designed and used to move or transport a combine head; and

27 (c) Does not include:

- 1           1.    Automobiles;
- 2           2.    Trucks;
- 3           3.    Trailers, except combine header trailers; or
- 4           4.    Truck-trailer combinations;
- 5   (12) Tombstones and other memorial grave markers;
- 6   (13) On-farm facilities used exclusively for grain or soybean storing, drying, processing,
- 7        or handling. The exemption applies to the equipment, machinery, attachments,
- 8        repair and replacement parts, and any materials incorporated into the construction,
- 9        renovation, or repair of the facilities;
- 10   (14) On-farm facilities used exclusively for raising poultry or livestock. The exemption
- 11        shall apply to the equipment, machinery, attachments, repair and replacement parts,
- 12        and any materials incorporated into the construction, renovation, or repair of the
- 13        facilities. The exemption shall apply but not be limited to vent board equipment,
- 14        waterer and feeding systems, brooding systems, ventilation systems, alarm systems,
- 15        and curtain systems. In addition, the exemption shall apply whether or not the seller
- 16        is under contract to deliver, assemble, and incorporate into real estate the
- 17        equipment, machinery, attachments, repair and replacement parts, and any materials
- 18        incorporated into the construction, renovation, or repair of the facilities;
- 19   (15) Gasoline, special fuels, liquefied petroleum gas, and natural gas used exclusively
- 20        and directly to:
  - 21        (a)   Operate farm machinery as defined in subsection (11) of this section;
  - 22        (b)   Operate on-farm grain or soybean drying facilities as defined in subsection
  - 23            (13) of this section;
  - 24        (c)   Operate on-farm poultry or livestock facilities defined in subsection (14) of
  - 25            this section;
  - 26        (d)   Operate on-farm ratite facilities defined in subsection (23) of this section;
  - 27        (e)   Operate on-farm llama or alpaca facilities as defined in subsection (25) of this



1 section; or

2 (f) Operate on-farm dairy facilities;

3 (16) Textbooks, including related workbooks and other course materials, purchased for  
4 use in a course of study conducted by an institution which qualifies as a nonprofit  
5 educational institution under KRS 139.495. The term "course materials" means only  
6 those items specifically required of all students for a particular course but shall not  
7 include notebooks, paper, pencils, calculators, tape recorders, or similar student  
8 aids;

9 (17) Any property which has been certified as an alcohol production facility as defined  
10 in KRS 247.910;

11 (18) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the  
12 direct operation of aircraft in interstate commerce and used exclusively for the  
13 conveyance of property or passengers for hire. Nominal intrastate use shall not  
14 subject the property to the taxes imposed by this chapter;

15 (19) Any property which has been certified as a fluidized bed energy production facility  
16 as defined in KRS 211.390;

17 (20) (a) 1. Any property to be incorporated into the construction, rebuilding,  
18 modification, or expansion of a blast furnace or any of its components or  
19 appurtenant equipment or structures as part of an approved supplemental  
20 project, as defined by KRS 154.26-010; and

21 2. Materials, supplies, and repair or replacement parts purchased for use in  
22 the operation and maintenance of a blast furnace and related carbon  
23 steel-making operations as part of an approved supplemental project, as  
24 defined by KRS 154.26-010.

25 (b) The exemptions provided in this subsection shall be effective for sales made:

26 1. On and after July 1, 2018; and

27 2. During the term of a supplemental project agreement entered into

- 1                   pursuant to KRS 154.26-090;
- 2 (21) Beginning on October 1, 1986, food or food products purchased for human  
3 consumption with food coupons issued by the United States Department of  
4 Agriculture pursuant to the Food Stamp Act of 1977, as amended, and required to  
5 be exempted by the Food Security Act of 1985 in order for the Commonwealth to  
6 continue participation in the federal food stamp program;
- 7 (22) Machinery or equipment purchased or leased by a business, industry, or  
8 organization in order to collect, source separate, compress, bale, shred, or otherwise  
9 handle waste materials if the machinery or equipment is primarily used for  
10 recycling purposes;
- 11 (23) Ratite birds and eggs to be used in an agricultural pursuit for the breeding and  
12 production of ratite birds, feathers, hides, breeding stock, eggs, meat, and ratite by-  
13 products, and the following items used in this agricultural pursuit:
- 14 (a) Feed and feed additives;
- 15 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;  
16 and
- 17 (c) On-farm facilities, including equipment, machinery, attachments, repair and  
18 replacement parts, and any materials incorporated into the construction,  
19 renovation, or repair of the facilities. The exemption shall apply to incubation  
20 systems, egg processing equipment, waterer and feeding systems, brooding  
21 systems, ventilation systems, alarm systems, and curtain systems. In addition,  
22 the exemption shall apply whether or not the seller is under contract to  
23 deliver, assemble, and incorporate into real estate the equipment, machinery,  
24 attachments, repair and replacement parts, and any materials incorporated into  
25 the construction, renovation, or repair of the facilities;
- 26 (24) Embryos and semen that are used in the reproduction of livestock, if the products of  
27 these embryos and semen ordinarily constitute food for human consumption, and if

- 1 the sale is made to a person engaged in the business of farming;
- 2 (25) Llamas and alpacas to be used as beasts of burden or in an agricultural pursuit for  
3 the breeding and production of hides, breeding stock, fiber and wool products,  
4 meat, and llama and alpaca by-products, and the following items used in this  
5 pursuit:
- 6 (a) Feed and feed additives;
- 7 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 8 and
- 9 (c) On-farm facilities, including equipment, machinery, attachments, repair and  
10 replacement parts, and any materials incorporated into the construction,  
11 renovation, or repair of the facilities. The exemption shall apply to waterer  
12 and feeding systems, ventilation systems, and alarm systems. In addition, the  
13 exemption shall apply whether or not the seller is under contract to deliver,  
14 assemble, and incorporate into real estate the equipment, machinery,  
15 attachments, repair and replacement parts, and any materials incorporated into  
16 the construction, renovation, or repair of the facilities;
- 17 (26) Baling twine and baling wire for the baling of hay and straw;
- 18 (27) Water sold to a person regularly engaged in the business of farming and used in the:
- 19 (a) Production of crops;
- 20 (b) Production of milk for sale; or
- 21 (c) Raising and feeding of:
- 22 1. Livestock or poultry, the products of which ordinarily constitute food  
23 for human consumption; or
- 24 2. Ratites, llamas, alpacas, buffalo, cervids or aquatic organisms;
- 25 (28) Buffalos to be used as beasts of burden or in an agricultural pursuit for the  
26 production of hides, breeding stock, meat, and buffalo by-products, and the  
27 following items used in this pursuit:

- 1 (a) Feed and feed additives;
- 2 (b) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 3 and
- 4 (c) On-farm facilities, including equipment, machinery, attachments, repair and
- 5 replacement parts, and any materials incorporated into the construction,
- 6 renovation, or repair of the facilities. The exemption shall apply to waterer
- 7 and feeding systems, ventilation systems, and alarm systems. In addition, the
- 8 exemption shall apply whether or not the seller is under contract to deliver,
- 9 assemble, and incorporate into real estate the equipment, machinery,
- 10 attachments, repair and replacement parts, and any materials incorporated into
- 11 the construction, renovation, or repair of the facilities;
- 12 (29) Aquatic organisms sold directly to or raised by a person regularly engaged in the
- 13 business of producing products of aquaculture, as defined in KRS 260.960, for sale,
- 14 and the following items used in this pursuit:
- 15 (a) Feed and feed additives;
- 16 (b) Water;
- 17 (c) Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals;
- 18 and
- 19 (d) On-farm facilities, including equipment, machinery, attachments, repair and
- 20 replacement parts, and any materials incorporated into the construction,
- 21 renovation, or repair of the facilities and, any gasoline, special fuels, liquefied
- 22 petroleum gas, or natural gas used to operate the facilities. The exemption
- 23 shall apply, but not be limited to: waterer and feeding systems; ventilation,
- 24 aeration, and heating systems; processing and storage systems; production
- 25 systems such as ponds, tanks, and raceways; harvest and transport equipment
- 26 and systems; and alarm systems. In addition, the exemption shall apply
- 27 whether or not the seller is under contract to deliver, assemble, and

1           incorporate into real estate the equipment, machinery, attachments, repair and  
2           replacement parts, and any materials incorporated into the construction,  
3           renovation, or repair of the facilities;

4   (30) Members of the genus cervidae permitted by KRS Chapter 150 that are used for the  
5       production of hides, breeding stock, meat, and cervid by-products, and the  
6       following items used in this pursuit:

7       (a) Feed and feed additives;

8       (b) Insecticides, fungicides, herbicides, rodenticides, and other chemicals; and

9       (c) On-site facilities, including equipment, machinery, attachments, repair and  
10       replacement parts, and any materials incorporated into the construction,  
11       renovation, or repair of the facilities. In addition, the exemption shall apply  
12       whether or not the seller is under contract to deliver, assemble, and  
13       incorporate into real estate the equipment, machinery, attachments, repair and  
14       replacement parts, and any materials incorporated into the construction,  
15       renovation, or repair of the facilities;

16   (31) (a) Repair or replacement parts for the direct operation or maintenance of a motor  
17       vehicle, including any towed unit, used exclusively in interstate commerce for  
18       the conveyance of property or passengers for hire, provided the motor vehicle  
19       is licensed for use on the highway and its declared gross vehicle weight with  
20       any towed unit is forty-four thousand and one (44,001) pounds or greater.  
21       Nominal intrastate use shall not subject the property to the taxes imposed by  
22       this chapter; and

23       (b) Repair or replacement parts for the direct operation and maintenance of a  
24       motor vehicle operating under a charter bus certificate issued by the  
25       Transportation Cabinet under KRS Chapter 281, or under similar authority  
26       granted by the United States Department of Transportation.

27       (c) For the purposes of this subsection, "repair or replacement parts" means tires,

1           brakes, engines, transmissions, drive trains, chassis, body parts, and their  
2           components. "Repair or replacement parts" shall not include fuel, machine  
3           oils, hydraulic fluid, brake fluid, grease, supplies, or accessories not essential  
4           to the operation of the motor vehicle itself, except when sold as part of the  
5           assembled unit, such as cigarette lighters, radios, lighting fixtures not  
6           otherwise required by the manufacturer for operation of the vehicle, or tool or  
7           utility boxes;

8       (32) Food donated by a retail food establishment or any other entity regulated under  
9           KRS 217.127 to a nonprofit organization for distribution to the needy;

10       (33) Drugs and over-the counter drugs, as defined in KRS 139.472, that are purchased  
11           by a person regularly engaged in the business of farming and used in the treatment  
12           of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, buffalo, aquatic  
13           organisms, or cervids;

14       (34) (a) Building materials, fixtures, or supplies purchased by a construction  
15           contractor if:

- 16           1. Fulfilled by a construction contract for a sewer or water project with:
  - 17               a. A municipally owned water utility organized under KRS Chapter  
18                 96;
  - 19               b. A water district or water commission formed or organized under  
20                 KRS Chapter 74;
  - 21               c. A sanitation district established under KRS Chapter 220 or formed  
22                 pursuant to KRS Chapter 65;
  - 23               d. A nonprofit corporation created under KRS 58.180 to act on behalf  
24                 of a governmental agency in the acquisition and financing of  
25                 public projects;
  - 26               e. Regional wastewater commissions formed under KRS Chapter  
27                 278;

- 1 f. A municipally owned joint sewer agency formed under KRS  
2 Chapter 76; or  
3 g. Any other governmental agency; and  
4 2. The building materials, fixtures, or supplies:  
5 a. Will be permanently incorporated into a structure or improvement  
6 to real property, or will be completely consumed, in fulfilling a  
7 construction contract for the purpose of furnishing water or sewer  
8 services to the general public; and  
9 b. Would be exempt if purchased directly by the entities listed in  
10 subparagraph 1. of this paragraph.
- 11 (b) As used in this subsection, "construction contract" means a:  
12 1. Lump sum contract;  
13 2. Cost plus contract;  
14 3. Materials only contract;  
15 4. Labor and materials contract; or  
16 5. Any other type of contract.
- 17 (c) The exemption provided in this subsection shall apply without regard to the  
18 payment arrangement between the construction contractor, the retailer, and  
19 the entities listed in paragraph (a)1. of this subsection or to the place of  
20 delivery for the building materials, fixtures, or supplies;
- 21 (35) (a) On or after February 25, 2022, the rental of space for meetings, conventions,  
22 short-term business uses, entertainment events, weddings, banquets, parties,  
23 and other short-term social events, as referenced in KRS 139.200, if the tax  
24 established in KRS 139.200 is paid by the primary lessee to the lessor.
- 25 (b) For the purpose of this subsection, "primary lessee" means the person who  
26 leases the space and who has a contract with the lessor of the space only if:  
27 1. The contract between the lessor and the lessee specifies that the lessee

- 1                   may sublease, subrent, or otherwise sell the space; and
- 2                   2. The space is then sublet, subrented, or otherwise sold to exhibitors,
- 3                   vendors, sponsors, or other entities and persons who will use the space
- 4                   associated with the event to be conducted under the primary lease;
- 5 (36) Prewritten computer software access services sold to or purchased by a retailer that
- 6                   develops prewritten computer software for print technology and uses and sells
- 7                   prewritten computer software access services for print technology;~~and~~
- 8 (37) Medicinal cannabis as defined in KRS 218B.010 when sold, used, stored, or
- 9                   consumed in accordance with KRS Chapter 218B; **and**
- 10 **(38) (a) Baby bottles, including both nipples and liners;**
- 11                   **(b) Baby wipes;**
- 12                   **(c) Breast pumps;**
- 13                   **(d) Breast pump collection and storage supplies;**
- 14                   **(e) Breast pump kits; and**
- 15                   **(f) Children's diapers, including disposable diapers.**

16                   ➔Section 10. KRS 141.067 is amended to read as follows:

- 17 **(1) For taxable years beginning prior to January 1, 2025, and for taxable years**
- 18 **beginning on or after January 1, 2029 and thereafter, an~~[A resident]~~ individual**
- 19                   may deduct from the tax computed under the provisions of KRS 141.020 a
- 20 **nonrefundable** credit for household and dependent care services necessary for
- 21                   gainful employment. The credit shall be twenty percent (20%) of the federal credit
- 22                   allowed under Section 21 of the Internal Revenue Code.
- 23 **(2) (a) For taxable years beginning on or after January 1, 2025, but before**
- 24 **January 1, 2029, individuals shall be allowed a refundable household and**
- 25 **dependent care credit against the tax imposed in KRS 141.020.**
- 26 **(b) The credit shall be equal to twenty percent (20%) of the federal credit**
- 27 **allowed under Section 21 of the Internal Revenue Code with the ordering of**



1 the tax credit as provided by Section 15 of this Act.

2 (c) Part-year resident taxpayers shall be allowed a prorated tax credit based  
 3 upon their portion of Kentucky adjusted gross income as determined by  
 4 Section 13 of this Act to their adjusted gross income as defined in Section  
 5 62 of the Internal Revenue Code.

6 (3) In order for the General Assembly to evaluate the effectiveness of this tax credit,  
 7 on or before November 1, 2026, and on or before each November 1 thereafter as  
 8 long as the Kentucky household and dependent care tax credit is claimed, the  
 9 department shall submit to the Legislative Research Commission for referral to  
 10 the Interim Joint Committee on Appropriations and Revenue:

11 (a) The location of the taxpayer, by county, as reflected on the return filed for  
 12 the taxable year;

13 (b) The amount of the Kentucky household and dependent care tax credit  
 14 claimed by the taxpayer for the taxable year;

15 (c) The total cumulative amount of all credits claimed for the taxable year; and

16 (d) Based on ranges of adjusted gross income of no larger than five thousand  
 17 dollars (\$5,000) for the taxable year, the total amount of tax credits claimed  
 18 and the number of returns claiming a tax credit for each adjusted gross  
 19 income range.

20 ➔SECTION 11. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
 21 READ AS FOLLOWS:

22 (1) For purposes of this section:

23 (a) "Child with special needs" has the same meaning as in Section 23 of the  
 24 Internal Revenue Code;

25 (b) "Cost-of-living" means for taxable years beginning on or after January 1,  
 26 2026, the percent increase in the nonseasonally adjusted annual average  
 27 Consumer Price Index for All Urban Consumers (CPI-U), U.S. City

1 Average, All Items, between the two (2) most recent calendar years  
2 available, as published by the United States Bureau of Labor Statistics.

3 (c) 1. "Qualified adoption expenses" has the same meaning as in Section 23  
4 of the Internal Revenue Code; and

5 2. Shall be paid in association with the adoption of a child in a foster  
6 home within the Commonwealth or a child whose custody and care is  
7 under the Cabinet for Health and Family Services; and

8 (2) For taxable years beginning on or after January 1, 2025, but before January 1,  
9 2029, there shall be allowed a refundable Kentucky adoption tax credit taken  
10 against the tax imposed in KRS 141.020 with the ordering of credits in Section 15  
11 of this Act.

12 (3) The Kentucky adoption tax credit shall be computed at the same time and in the  
13 same manner as the federal tax credit allowed under Section 23 of the Internal  
14 Revenue Code, except that:

15 (a) The maximum amount of the Kentucky adoption tax credit shall be the  
16 lesser of:

17 1. Total qualified adoption expenses incurred; or

18 2. Five thousand five hundred dollars (\$5,500).

19 (b) The credit calculation shall include total qualified adoption expenses for  
20 each in-state adoption.

21 (c) The maximum amount of the Kentucky adoption tax credit set forth in  
22 subparagraph (b) of this subsection shall be increased annually for the cost-  
23 of-living adjustment.

24 (4) The maximum amount of the Kentucky adoption tax credit in subsection (3) shall  
25 be allowed as a credit for adoption of a child with special needs regardless if the  
26 expenses incurred are of a lesser amount.

27 (5) The total Kentucky adoption tax credit shall have the same income limitations as

1 set forth in Section 23 of the Internal Revenue code for the federal adoption tax  
2 credit.

3 (6) The tax credit shall be allowed for any qualified adoption expenses:

4 (a) Not deducted or considered in the calculation of total gross income; or

5 (b) For which funds for such expenses are covered under any Federal, State, or  
6 local program.

7 (7) Part-year resident taxpayers shall be allowed a prorated Kentucky adoption tax  
8 credit based upon their portion of Kentucky adjusted gross income as determined  
9 by Section 13 of this Act to their adjusted gross income as defined in Section 62  
10 of the Internal Revenue Code.

11 (8) In order for the General Assembly to evaluate the effectiveness of this tax credit,  
12 on or before November 1, 2026, and on or before each November 1 thereafter as  
13 long as the Kentucky adoption tax credit is claimed, the department shall submit  
14 to the Legislative Research Commission for referral to the Interim Joint  
15 Committee on Appropriations and Revenue:

16 (a) The location of the taxpayer, by county, as reflected on the return filed for  
17 the taxable year;

18 (b) The amount of the Kentucky adoption tax credit claimed by the taxpayer for  
19 the taxable year;

20 (c) The total cumulative amount of all credits claimed for the taxable year; and

21 (d) Based on ranges of adjusted gross income of no larger than five thousand  
22 dollars (\$5,000) for the taxable year, the total amount of tax credits claimed  
23 and the number of returns claiming a tax credit for each adjusted gross  
24 income range.

25 ➔SECTION 12. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
26 READ AS FOLLOWS:

27 (1) As used in this section:

1 (a) "Pregnancy resource center" means a tax-exempt organization under  
2 Section 501(c)(3) of the Internal Revenue Code that:

- 3 1. Is located in this state;  
4 2. Provides services to individuals who face unintended pregnancy and  
5 encourages women to give birth to their unborn children;  
6 3. Does not refer, perform, prescribe, or encourage abortion;  
7 4. Does not affiliate with organizations that refer, perform, prescribe, or  
8 encourage abortion; and  
9 5. Includes:  
10 a. Maternity homes;  
11 b. Adoption agencies;  
12 c. Social service agencies; or  
13 d. Any other agency that provides support and other assistance to  
14 individuals facing unintended pregnancy by encouraging these  
15 individuals to give birth to their unborn children; and

16 (b) "Qualified contribution" means a monetary donation made to a pregnancy  
17 resource center.

18 (2) For taxable years beginning on or after January 1, 2025, but before January 1,  
19 2029, there shall be allowed a nonrefundable tax credit against the tax imposed  
20 by KRS 141.020 or 141.040 and 141.0401 for qualified contributions with the  
21 ordering of the credit as provided in Section 15 of this Act.

22 (3) (a) The credit shall be equal to the qualified contribution, not to exceed fifty  
23 percent (50%) of the taxpayer's total tax liability, that would otherwise be  
24 due for the taxable year.

25 (b) Any unused credit shall be carried forward for a period not to exceed five  
26 (5) succeeding taxable years.

27 (c) Any taxpayer claiming a credit under this section shall not also take a

1 deduction under Section 13 or 14 of this Act for the same contribution.

2 (4) The aggregate total of all tax credits claimed under this section shall not exceed  
3 five million dollars (\$5,000,000) for taxable years beginning on or after January  
4 1, 2025, but before January 1, 2029.

5 (5) (a) A taxpayer pursuing a tax credit under this section shall:

6 1. File an application for preliminary approval of the tax credit with the  
7 department;

8 2. After receiving preliminary approval from the department, make a  
9 qualified contribution to a pregnancy resource center within:

10 a. Thirty (30) days of the date of the notice of authorization for the  
11 tax credit from the department; and

12 b. The same tax year for which the credit will be claimed; and

13 3. Within ten (10) days of making the qualified contribution, provide the  
14 department proof of the contribution which may include:

15 a. Financial records;

16 b. Receipt or statement of contribution from the pregnancy  
17 resource center; or

18 c. Any other forms necessary for verification.

19 (6) (a) The department shall create an application to be filed by the taxpayer in  
20 accordance with subsection (5) of this section. The application shall include  
21 information from the pregnancy resource center:

22 1. Verifying the center's tax-exempt status in accordance with Section  
23 501(c)(3) of the Internal Revenue Code; and

24 2. Stating the center conforms to the requirements established in  
25 subsection (1) of this section.

26 (b) The department shall publish on its website the amount of total credit  
27 allocated to date, the date the last processed application for preliminary

1 approval was received, and the remaining qualified contribution credit  
2 available.

3 (c) Upon preliminary approval of the tax credit by the department, notification  
4 shall be issued to the taxpayer within thirty (30) days.

5 (6) (a) In order for the General Assembly to evaluate the effectiveness of this tax  
6 credit, on or before November 1, 2026, and on or before each November 1  
7 thereafter as long as the qualified contribution tax credit may be claimed on  
8 a return, the department shall submit the following information to the  
9 Legislative Research Commission for referral to the Interim Joint  
10 Committee on Appropriations and Revenue:

11 1. The location of the taxpayer or corporation, by county, as reflected on  
12 the return filed for the taxable year;

13 2. The amount of qualified contribution tax credits claimed by the  
14 taxpayer for the taxable year;

15 3. The total cumulative amount of all qualified contribution tax credits  
16 claimed for the taxable year;

17 4. a. In the case of all taxpayers other than corporations, based on  
18 ranges of adjusted gross income of no larger than five thousand  
19 dollars (\$5,000) for the taxable year, the total amount of  
20 qualified contribution tax credit claimed and the total number of  
21 returns claiming this tax credit for each income range; and

22 b. In the case of all corporations, based on ranges of net income no  
23 larger than fifty thousand dollars (\$50,000) for the taxable year,  
24 the total amount of tax credit claimed and the number of returns  
25 claiming a tax credit for each net income range.

26 (b) The information required to be reported under this section shall not be  
27 considered confidential taxpayer information and shall not be subject to

1                   *KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes*  
2                   *prohibiting disclosure or reporting of information.*

3                   ➔Section 13. KRS 141.019 is amended to read as follows:

4                   In the case of taxpayers other than corporations:

- 5                   (1) Adjusted gross income shall be calculated by subtracting from the gross income of  
6                   those taxpayers the deductions allowed individuals by Section 62 of the Internal  
7                   Revenue Code and adjusting as follows:
- 8                   (a) Exclude income that is exempt from state taxation by the Kentucky  
9                   Constitution and the Constitution and statutory laws of the United States;
  - 10                  (b) Exclude income from supplemental annuities provided by the Railroad  
11                  Retirement Act of 1937 as amended and which are subject to federal income  
12                  tax by Pub. L. No. 89-699;
  - 13                  (c) Include interest income derived from obligations of sister states and political  
14                  subdivisions thereof;
  - 15                  (d) Exclude employee pension contributions picked up as provided for in KRS  
16                  6.505, 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610,  
17                  and 161.540 upon a ruling by the Internal Revenue Service or the federal  
18                  courts that these contributions shall not be included as gross income until such  
19                  time as the contributions are distributed or made available to the employee;
  - 20                  (e) Exclude Social Security and railroad retirement benefits subject to federal  
21                  income tax;
  - 22                  (f) Exclude any money received because of a settlement or judgment in a lawsuit  
23                  brought against a manufacturer or distributor of "Agent Orange" for damages  
24                  resulting from exposure to Agent Orange by a member or veteran of the  
25                  Armed Forces of the United States or any dependent of such person who  
26                  served in Vietnam;
  - 27                  (g) 1. a. For taxable years beginning after December 31, 2005, but before

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

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

9 2. As used in this paragraph:

10 a. "Annuity contract" has the same meaning as set forth in Section  
11 1035 of the Internal Revenue Code;

12 b. "Distributions" includes but is not limited to any lump-sum  
13 distribution from pension or profit-sharing plans qualifying for the  
14 income tax averaging provisions of Section 402 of the Internal  
15 Revenue Code; any distribution from an individual retirement  
16 account as defined in Section 408 of the Internal Revenue Code;  
17 and any disability pension distribution; and

18 c. "Pension plans, profit-sharing plans, retirement plans, or employee  
19 savings plans" means any trust or other entity created or organized  
20 under a written retirement plan and forming part of a stock bonus,  
21 pension, or profit-sharing plan of a public or private employer for  
22 the exclusive benefit of employees or their beneficiaries and  
23 includes plans qualified or unqualified under Section 401 of the  
24 Internal Revenue Code and individual retirement accounts as  
25 defined in Section 408 of the Internal Revenue Code;

26 (h) 1. a. Exclude the portion of the distributive share of a shareholder's net  
27 income from an S corporation subject to the franchise tax imposed



- 1 under KRS 136.505 or the capital stock tax imposed under KRS  
2 136.300; and
- 3 b. Exclude the portion of the distributive share of a shareholder's net  
4 income from an S corporation related to a qualified subchapter S  
5 subsidiary subject to the franchise tax imposed under KRS  
6 136.505 or the capital stock tax imposed under KRS 136.300.
- 7 2. The shareholder's basis of stock held in an S corporation where the S  
8 corporation or its qualified subchapter S subsidiary is subject to the  
9 franchise tax imposed under KRS 136.505 or the capital stock tax  
10 imposed under KRS 136.300 shall be the same as the basis for federal  
11 income tax purposes;
- 12 (i) Exclude income received for services performed as a precinct worker for  
13 election training or for working at election booths in state, county, and local  
14 primaries or regular or special elections;
- 15 (j) Exclude any capital gains income attributable to property taken by eminent  
16 domain;
- 17 (k) 1. Exclude all income from all sources for members of the Armed Forces  
18 who are on active duty and who are killed in the line of duty, for the  
19 year during which the death occurred and the year prior to the year  
20 during which the death occurred.
- 21 2. For the purposes of this paragraph, "all income from all sources" shall  
22 include all federal and state death benefits payable to the estate or any  
23 beneficiaries;
- 24 (l) Exclude all military pay received by members of the Armed Forces while on  
25 active duty;
- 26 (m) 1. Include the amount deducted for depreciation under 26 U.S.C. sec. 167  
27 or 168; and

- 1           2. Exclude the amounts allowed by KRS 141.0101 for depreciation;
- 2           (n) Include the amount deducted under 26 U.S.C. sec. 199A;
- 3           (o) Ignore any change in the cost basis of the surviving spouse's share of property
- 4           owned by a Kentucky community property trust occurring for federal income
- 5           tax purposes as a result of the death of the predeceasing spouse;
- 6           (p) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and
- 7           278, related to the tax treatment of forgiven covered loans, deductions
- 8           attributable to those loans, and tax attributes associated with those loans for
- 9           taxable years ending on or after March 27, 2020, but before January 1, 2022;
- 10          and
- 11          (q) For taxable years beginning on or after January 1, 2020, but before March 11,
- 12          2023, allow the same treatment of restaurant revitalization grants in
- 13          accordance with Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c,
- 14          related to the tax treatment of the grants, deductions attributable to those
- 15          grants, and tax attributes associated with those grants; and
- 16       (2) Net income shall be calculated by subtracting from adjusted gross income all the
- 17       deductions allowed individuals by Chapter 1 of the Internal Revenue Code, as
- 18       modified by KRS 141.0101, except:
- 19           (a) Any deduction allowed by 26 U.S.C. sec. 164 for taxes;
- 20           (b) Any deduction allowed by 26 U.S.C. sec. 165 for losses, except wagering
- 21           losses allowed under Section 165(d) of the Internal Revenue Code;
- 22           (c) Any deduction allowed by 26 U.S.C. sec. 213 for medical care expenses;
- 23           (d) Any deduction allowed by 26 U.S.C. sec. 217 for moving expenses;
- 24           (e) Any deduction allowed by 26 U.S.C. sec. 67 for any other miscellaneous
- 25           deduction;
- 26           (f) Any deduction allowed by the Internal Revenue Code for amounts allowable
- 27           under KRS 140.090(1)(h) in calculating the value of the distributive shares of

1 the estate of a decedent, unless there is filed with the income return a  
2 statement that the deduction has not been claimed under KRS 140.090(1)(h);

3 (g) Any deduction allowed by 26 U.S.C. sec. 151 for personal exemptions and  
4 any other deductions in lieu thereof;

5 (h) Any deduction allowed for amounts paid to any club, organization, or  
6 establishment which has been determined by the courts or an agency  
7 established by the General Assembly and charged with enforcing the civil  
8 rights laws of the Commonwealth, not to afford full and equal membership  
9 and full and equal enjoyment of its goods, services, facilities, privileges,  
10 advantages, or accommodations to any person because of race, color, religion,  
11 national origin, or sex, except nothing shall be construed to deny a deduction  
12 for amounts paid to any religious or denominational club, group, or  
13 establishment or any organization operated solely for charitable or educational  
14 purposes which restricts membership to persons of the same religion or  
15 denomination in order to promote the religious principles for which it is  
16 established and maintained;~~and~~

17 (i) Any deduction allowed by 26 U.S.C. sec. 170 and claimed as a qualified  
18 contribution tax credit under Section 12 of this Act; and

19 (j) A taxpayer may elect to claim the standard deduction allowed by KRS  
20 141.081 instead of itemized deductions allowed pursuant to 26 U.S.C. sec. 63  
21 and as modified by this section.

22 ➔Section 14. KRS 141.039 is amended to read as follows:

23 In the case of corporations:

24 (1) Gross income shall be calculated by adjusting federal gross income as defined in  
25 Section 61 of the Internal Revenue Code as follows:

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

- 1 (b) Exclude all dividend income;
- 2 (c) Include interest income derived from obligations of sister states and political  
3 subdivisions thereof;
- 4 (d) Exclude fifty percent (50%) of gross income derived from any disposal of  
5 coal covered by Section 631(c) of the Internal Revenue Code if the  
6 corporation does not claim any deduction for percentage depletion, or for  
7 expenditures attributable to the making and administering of the contract  
8 under which such disposition occurs or to the preservation of the economic  
9 interests retained under such contract;
- 10 (e) Include the amount calculated under KRS 141.205;
- 11 (f) Ignore the provisions of Section 281 of the Internal Revenue Code in  
12 computing gross income;
- 13 (g) Include the amount of depreciation deduction calculated under 26 U.S.C. sec.  
14 167 or 168;
- 15 (h) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and  
16 278, related to the tax treatment of forgiven covered loans, deductions  
17 attributable to those loans, and tax attributes associated with those loans for  
18 taxable years ending on or after March 27, 2020, but before January 1, 2022;  
19 and
- 20 (i) For taxable years beginning on or after January 1, 2020, but before March 11,  
21 2023, allow the same treatment of restaurant revitalization grants in  
22 accordance with Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c,  
23 related to the tax treatment of the grants, deductions attributable to those  
24 grants, and tax attributes associated with those grants; and
- 25 (2) Net income shall be calculated by subtracting from gross income:
- 26 (a) The deduction for depreciation allowed by KRS 141.0101;
- 27 (b) Any amount paid for vouchers or similar instruments that provide health

- 1 insurance coverage to employees or their families;
- 2 (c) All the deductions from gross income allowed corporations by Chapter 1 of  
3 the Internal Revenue Code, as modified by KRS 141.0101, except:
- 4 1. Any deduction for a state tax which is computed, in whole or in part, by  
5 reference to gross or net income and which is paid or accrued to any  
6 state of the United States, the District of Columbia, the Commonwealth  
7 of Puerto Rico, any territory or possession of the United States, or to any  
8 foreign country or political subdivision thereof;
  - 9 2. The deductions contained in Sections 243, 245, and 247 of the Internal  
10 Revenue Code;
  - 11 3. The provisions of Section 281 of the Internal Revenue Code shall be  
12 ignored in computing net income;
  - 13 4. Any deduction directly or indirectly allocable to income which is either  
14 exempt from taxation or otherwise not taxed under the provisions of this  
15 chapter, except for deductions allowed under Pub. L. No. 116-260, secs.  
16 276 and 278, related to the tax treatment of forgiven covered loans and  
17 deductions attributable to those loans for taxable years ending on or  
18 after March 27, 2020, but before January 1, 2022; and deductions  
19 allowed under Pub. L. No. 117-2, sec. 9673 and 15 U.S.C. sec. 9009c,  
20 related to the tax treatment of restaurant revitalization grants and  
21 deductions attributable to those grants for taxable years beginning on or  
22 after January 1, 2020, but before March 11, 2023. Nothing in this  
23 chapter shall be construed to permit the same item to be deducted more  
24 than once;
  - 25 5. Any deduction for amounts paid to any club, organization, or  
26 establishment which has been determined by the courts or an agency  
27 established by the General Assembly and charged with enforcing the

1 civil rights laws of the Commonwealth, not to afford full and equal  
 2 membership and full and equal enjoyment of its goods, services,  
 3 facilities, privileges, advantages, or accommodations to any person  
 4 because of race, color, religion, national origin, or sex, except nothing  
 5 shall be construed to deny a deduction for amounts paid to any religious  
 6 or denominational club, group, or establishment or any organization  
 7 operated solely for charitable or educational purposes which restricts  
 8 membership to persons of the same religion or denomination in order to  
 9 promote the religious principles for which it is established and  
 10 maintained;

- 11 6. Any deduction prohibited by KRS 141.205;~~and~~
- 12 7. Any dividends-paid deduction of any captive real estate investment
- 13 trust; and
- 14 **8. Any deduction allowed by 26 U.S.C. sec. 170 and claimed as a**
- 15 **qualified contribution tax credit under Section 12 of this Act; and**

- 16 (d) 1. A deferred tax deduction in an amount computed in accordance with this
- 17 paragraph.
- 18 2. For purposes of this paragraph:
- 19 a. "Net deferred tax asset" means that deferred tax assets exceed the
- 20 deferred tax liabilities of the combined group, as computed in
- 21 accordance with accounting principles generally accepted in the
- 22 United States of America; and
- 23 b. "Net deferred tax liability" means deferred tax liabilities that
- 24 exceed the deferred tax assets of a combined group as defined in
- 25 KRS 141.202, as computed in accordance with accounting
- 26 principles generally accepted in the United States of America.
- 27 3. Only publicly traded companies, including affiliated corporations

1 participating in the filing of a publicly traded company's financial  
2 statements prepared in accordance with accounting principles generally  
3 accepted in the United States of America, as of January 1, 2019, shall be  
4 eligible for this deduction.

5 4. If the provisions of KRS 141.202 result in an aggregate increase to the  
6 member's net deferred tax liability, an aggregate decrease to the  
7 member's net deferred tax asset, or an aggregate change from a net  
8 deferred tax asset to a net deferred tax liability, the combined group  
9 shall be entitled to a deduction, as determined in this paragraph.

10 5. For ten (10) years beginning with the combined group's first taxable  
11 year beginning on or after January 1, 2024, a combined group shall be  
12 entitled to a deduction from the combined group's entire net income  
13 equal to one-tenth (1/10) of the amount necessary to offset the increase  
14 in the net deferred tax liability, decrease in the net deferred tax asset, or  
15 aggregate change from a net deferred tax asset to a net deferred tax  
16 liability. The increase in the net deferred tax liability, decrease in the net  
17 deferred tax asset, or the aggregate change from a net deferred tax asset  
18 to a net deferred tax liability shall be computed based on the change that  
19 would result from the imposition of the combined reporting requirement  
20 under KRS 141.202, but for the deduction provided under this paragraph  
21 as of June 27, 2019.

22 6. The deferred tax impact determined in subparagraph 5. of this paragraph  
23 shall be converted to the annual deferred tax deduction amount, as  
24 follows:

25 a. The deferred tax impact determined in subparagraph 5. of this  
26 paragraph shall be divided by the tax rate determined under KRS  
27 141.040;

- 1           b. The resulting amount shall be further divided by the  
2           apportionment factor determined by KRS 141.120 or 141.121 that  
3           was used by the combined group in the calculation of the deferred  
4           tax assets and deferred tax liabilities as described in subparagraph  
5           5. of this paragraph; and
- 6           c. The resulting amount represents the total net deferred tax  
7           deduction available over the ten (10) year period as described in  
8           subparagraph 5. of this paragraph.
- 9           7. The deduction calculated under this paragraph shall not be adjusted as a  
10          result of any events happening subsequent to the calculation, including  
11          but not limited to any disposition or abandonment of assets. The  
12          deduction shall be calculated without regard to the federal tax effect and  
13          shall not alter the tax basis of any asset. If the deduction under this  
14          section is greater than the combined group's entire Kentucky net income,  
15          any excess deduction shall be carried forward and applied as a deduction  
16          to the combined group's entire net income in future taxable years until  
17          fully utilized.
- 18          8. Any combined group intending to claim a deduction under this  
19          paragraph shall file a statement with the department on or before July 1,  
20          2019. The statement shall specify the total amount of the deduction  
21          which the combined group claims on the form, including calculations  
22          and other information supporting the total amounts of the deduction as  
23          required by the department. No deduction shall be allowed under this  
24          paragraph for any taxable year, except to the extent claimed on the  
25          timely filed statement in accordance with this paragraph.

26           ➔Section 15. KRS 141.0205 is amended to read as follows:

27   If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax



1 imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of  
2 the credits shall be determined as follows:

- 3 (1) The nonrefundable business incentive credits against the tax imposed by KRS  
4 141.020 shall be taken in the following order:
- 5 (a) The limited 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, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and  
8 154.12-2088;
  - 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 credit for hiring the unemployed permitted by KRS 141.065;
  - 14 (h) The recycling or composting equipment credit permitted by KRS 141.390;
  - 15 (i) The tax credit for cash contributions in 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 research facilities credit permitted by KRS 141.395;
  - 19 (k) The employer High School Equivalency Diploma program incentive credit  
20 permitted under KRS 151B.402;
  - 21 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
  - 22 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
  - 23 (n) The clean coal incentive credit permitted by KRS 141.428;
  - 24 (o) The ethanol credit permitted by KRS 141.4242;
  - 25 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
  - 26 (q) The energy efficiency credits permitted by KRS 141.436;
  - 27 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;

- 1 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 2 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 3 (u) The distilled spirits credit permitted by KRS 141.389;
- 4 (v) The angel investor credit permitted by KRS 141.396;
- 5 (w) The film industry credit permitted by KRS 141.383 for applications approved
- 6 on or after April 27, 2018, but before January 1, 2022;
- 7 (x) The inventory credit permitted by KRS 141.408; and
- 8 (y) The renewable chemical production credit permitted by KRS 141.4231;
- 9 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 10 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 11 shall be taken in the following order:
- 12 (a) The individual credits permitted by KRS 141.020(3);
- 13 (b) The credit permitted by KRS 141.066;
- 14 (c) The tuition credit permitted by KRS 141.069;
- 15 (d) *For taxable years beginning before January 1, 2025,* the household and
- 16 dependent care credit permitted by KRS 141.067;
- 17 (e) The income gap credit permitted by KRS 141.066;~~and~~
- 18 (f) The Education Opportunity Account Program tax credit permitted by KRS
- 19 141.522; *and*
- 20 *(g) The qualified contribution tax credit permitted by Section 12 of this Act;*
- 21 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 22 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 23 taken in the following order:
- 24 (a) The individual withholding tax credit permitted by KRS 141.350;
- 25 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 26 (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
- 27 171.397(1)(b);

- 1 (d) The film industry tax credit permitted by KRS 141.383 for applications  
2 approved prior to April 27, 2018, or on or after January 1, 2022;
- 3 (e) The development area tax credit permitted by KRS 141.398;
- 4 (f) The decontamination tax credit permitted by KRS 141.419;~~and~~
- 5 (g) The pass-through entity tax credit permitted by KRS 141.209;
- 6 **(h) The household and dependent care credit permitted by Section 10 of this**  
7 **Act; and**
- 8 **(i) The Kentucky adoption tax credit permitted by Section 11 of this Act;**
- 9 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the  
10 tax imposed by KRS 141.040;
- 11 (5) The following nonrefundable credits shall be applied against the sum of the tax  
12 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)  
13 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 14 (a) The economic development credits computed under KRS 141.347, 141.381,  
15 141.384, 141.3841, 141.400, 141.403, 141.407, 141.415, 154.12-207, and  
16 154.12-2088;
- 17 (b) The qualified farming operation credit permitted by KRS 141.412;
- 18 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 19 (d) The health insurance credit permitted by KRS 141.062;
- 20 (e) The unemployment credit permitted by KRS 141.065;
- 21 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 22 (g) The coal conversion credit permitted by KRS 141.041;
- 23 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods  
24 ending prior to January 1, 2008;
- 25 (i) The tax credit for cash contributions to investment funds permitted by KRS  
26 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
27 154.20-258;

- 1 (j) The research facilities credit permitted by KRS 141.395;
- 2 (k) The employer High School Equivalency Diploma program incentive credit
- 3 permitted by KRS 151B.402;
- 4 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 5 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 6 (n) The clean coal incentive credit permitted by KRS 141.428;
- 7 (o) The ethanol credit permitted by KRS 141.4242;
- 8 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 9 (q) The energy efficiency credits permitted by KRS 141.436;
- 10 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
- 11 permitted by KRS 141.437;
- 12 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 13 (t) The railroad expansion credit permitted by KRS 141.386;
- 14 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 15 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 16 (w) The distilled spirits credit permitted by KRS 141.389;
- 17 (x) The film industry credit permitted by KRS 141.383 for applications approved
- 18 on or after April 27, 2018, but before January 1, 2022;
- 19 (y) The inventory credit permitted by KRS 141.408;
- 20 (z) The renewable chemical production tax credit permitted by KRS 141.4231;f
- 21 ~~and~~
- 22 (aa) The Education Opportunity Account Program tax credit permitted by KRS
- 23 141.522; and
- 24 **(ab) The qualified contribution tax credit permitted by Section 12 of this Act;**
- 25 **and**
- 26 (6) After the application of the nonrefundable credits in subsection (5) of this section,
- 27 the refundable credits shall be taken in the following order:

- 1 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 2 (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and  
3 171.397(1)(b);
- 4 (c) The film industry tax credit permitted by KRS 141.383 for applications  
5 approved prior to April 27, 2018, or on or after January 1, 2022;
- 6 (d) The decontamination tax credit permitted by KRS 141.419; and
- 7 (e) The pass-through entity tax credit permitted by KRS 141.209.

8 ➔Section 16. KRS 131.190 is amended to read as follows:

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

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

- 1 order issued by a court of competent jurisdiction; or
- 2 (k) Providing information to the Legislative Research Commission under:
- 3 1. KRS 139.519 for purposes of the sales and use tax refund on building
- 4 materials used for disaster recovery;
- 5 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 6 3. KRS 141.437 for purposes of the ENERGY STAR home and the
- 7 ENERGY STAR manufactured home credits;
- 8 4. KRS 141.383 for purposes of the film industry incentives;
- 9 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization
- 10 tax credits and the job assessment fees;
- 11 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 12 7. KRS 141.396 for purposes of the angel investor tax credit;
- 13 8. KRS 141.389 for purposes of the distilled spirits credit;
- 14 9. KRS 141.408 for purposes of the inventory credit;
- 15 10. KRS 141.390 for purposes of the recycling and composting credit;
- 16 11. KRS 141.3841 for purposes of the selling farmer tax credit;
- 17 12. KRS 141.4231 for purposes of the renewable chemical production tax
- 18 credit;
- 19 13. KRS 141.524 for purposes of the Education Opportunity Account
- 20 Program tax credit;
- 21 14. KRS 141.398 for purposes of the development area tax credit;
- 22 15. KRS 139.516 for the purposes of the sales and use tax exemption on the
- 23 commercial mining of cryptocurrency;~~and~~
- 24 16. KRS 141.419 for purposes of the decontamination tax credit;
- 25 **17. Section 10 of this Act for purposes of the household and dependent**
- 26 **care credit;**
- 27 **18. Section 11 of this Act for purposes of the Kentucky adoption tax**

1                                    *credit; and*

2                                    *19. Section 12 of this Act for the purposes of the qualified contribution tax*

3                                    *credit.*

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

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

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

21        (6) Notwithstanding any provision of law to the contrary, beginning with mine-  
22           map submissions for the 1989 tax year, the department may make public or  
23           divulge only those portions of mine maps submitted by taxpayers to the  
24           department pursuant to KRS Chapter 132 for ad valorem tax purposes that  
25           depict the boundaries of mined-out parcel areas. These electronic maps shall  
26           not be relied upon to determine actual boundaries of mined-out parcel areas.  
27           Property boundaries contained in mine maps required under KRS Chapters



1           350 and 352 shall not be construed to constitute land surveying or boundary  
2           surveys as defined by KRS 322.010 and any administrative regulations  
3           promulgated thereto.

4           ➔Section 17. There is hereby appropriated General Fund moneys in the amount  
5           of \$100,000 in each fiscal year of the 2024-2026 fiscal biennium to the Cabinet for  
6           Health and Family Services for the expansion of the Women, Infants, and Children  
7           Farmers Market Nutrition Program into Jefferson County. Notwithstanding KRS 45.229,  
8           the General Fund appropriations under this section shall not lapse and shall carry  
9           forward.

10          ➔Section 18. Sections 1 to 3 of this Act apply to health benefit plans issued or  
11          renewed on or after January 1, 2025.

12          ➔Section 19. Sections 1, 2, and 3 of this Act take effect on January 1, 2025.

13          ➔Section 20. Sections 7, 9, and 10 of this Act take effect on August 1, 2024.