

1 AN ACT relating to apprenticeships.

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

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

5 *(1) The General Assembly finds and declares that a small business apprenticeship*
6 *tax credit shall be available to encourage the development of skilled workers*
7 *through registered apprenticeship training programs in order to counter the*
8 *current and projected shortage of skilled workers which exists in Kentucky.*

9 *(2) As used in this section:*

10 *(a) "Apprentice" has the same meaning as in KRS 343.010;*

11 *(b) "Apprenticeship agreement" has the same meaning as in KRS 343.010;*

12 *(c) "Apprenticeship program" has the same meaning as in KRS 343.010;*

13 *(d) "Full-time employee" means a person employed by a small business for a*
14 *minimum of thirty-five (35) hours per week; and*

15 *(e) "Small business" means any business entity organized for profit, including*
16 *a sole proprietorship, partnership, limited partnership, corporation, limited*
17 *liability company, joint venture, association, or cooperative, that has two*
18 *hundred fifty (250) or fewer full-time employees.*

19 *(3) For taxable years beginning on or after January 1, 2017, but before January 1,*
20 *2021, a small business that employs an apprentice, who works in Kentucky and*
21 *has an approved apprenticeship agreement pursuant to KRS 343.060, shall be*
22 *allowed a nonrefundable small business apprenticeship tax credit against the tax*
23 *imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as*
24 *provided in Section 2 of this Act.*

25 *(4) (a) The small business apprenticeship tax credit shall be an amount up to one*
26 *thousand dollars (\$1,000) for each apprentice employed, provided that:*

27 *1. The small business may claim the credit for no more than four (4)*

- 1 years for each individual apprentice employed;
- 2 2. The apprenticeship program sponsored by the small business has
3 completed an apprenticeship program provisional period of one (1)
4 year with the Department of Workplace Standards and has been
5 designated as a permanent program;
- 6 3. The apprenticeship program has a period of duration which is not less
7 than four thousand (4,000) hours, which is two (2) years, and not
8 more than ten thousand (10,000) hours, which is five (5) years;
- 9 4. The apprentice has completed the probationary period established in
10 the apprenticeship agreement and is employed for at least one
11 hundred twenty (120) hours per month; and
- 12 5. The apprentice is not a preapprentice.
- 13 (b) 1. The small business apprenticeship tax credit shall be computed
14 annually on a calendar year basis.
- 15 2. If the small business employs an apprentice for less than the full
16 calendar year, the small business may claim the credit on a pro rata
17 monthly basis beginning on the first day of the first full month that
18 the apprentice is employed.
- 19 3. A small business filing on a fiscal year basis shall claim the credit
20 within the fiscal year encompassing the calendar year end.
- 21 (c) If the small business is a pass-through entity not subject to the tax under
22 KRS 141.040, the amount of approved credit shall be applied against the tax
23 imposed by KRS 141.0401 at the entity level, and shall also be distributed to
24 each partner, member, or shareholder based on the partner's, member's, or
25 shareholder's distributive share of the income of the pass-through entity.
- 26 (d) Any amount of credit that a small business is unable to utilize during a
27 taxable year may be carried forward for use in a succeeding taxable year for

1 a period not to exceed four (4) taxable years. Any amount of credit not used
2 within four (4) taxable years shall be lost. No amount of credit may be
3 carried back to a preceding taxable year.

4 (5) The department shall:

5 (a) Prescribe a form upon which a small business may claim the tax credit
6 provided in subsection (3) of this section and instructions for filing the form
7 with the small business' tax return;

8 (b) Provide the Department of Workplace Standards:

- 9 1. Copies of the tax credit form and instructions to inform a small
10 business that desires information about the tax credit; and
11 2. An annual report detailing the amount of tax credit taken for each
12 calendar year; and

13 (c) Provide the following information to the Legislative Research Commission
14 no later than November 15, 2018, and on or before each November 15
15 annually thereafter as long as the credit is claimed on any return filed:

- 16 1. The number of tax returns, by type tax, claiming the credit for each
17 taxable year;
18 2. The total amount of credits claimed for each taxable year;
19 3. The cumulative number of apprentices hired for each taxable year;
20 4. The cumulative total of credit claimed by county, based on the work
21 location for the apprentice hired, for each taxable year; and
22 5. a. In the case of a taxpayer other than a corporation, based on
23 ranges of adjusted gross income of no larger than five thousand
24 dollars (\$5,000), the total amount of credits claimed for each
25 adjusted gross income range for each taxable year; and
26 b. In the case of corporations, based on ranges of net income of no
27 larger than fifty thousand dollars (\$50,000), the total amount of

- 1 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 2 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 3 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 4 (p) The clean coal incentive credit permitted by KRS 141.428;
- 5 (q) The ethanol credit permitted by KRS 141.4242;
- 6 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- 7 (s) The energy efficiency credits permitted by KRS 141.436;
- 8 (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 9 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 10 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 11 (w) The food donation credit permitted by KRS 141.392;
- 12 (x) The distilled spirits credit permitted by KRS 141.389;~~and~~
- 13 (y) The angel investor credit permitted by KRS 141.396; and
- 14 (z) *The small business apprenticeship credit permitted by Section 1 of this Act.*
- 15 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 16 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 17 shall be taken in the following order:
- 18 (a) The individual credits permitted by KRS 141.020(3);
- 19 (b) The credit permitted by KRS 141.066;
- 20 (c) The tuition credit permitted by KRS 141.069;
- 21 (d) The household and dependent care credit permitted by KRS 141.067; and
- 22 (e) The new home credit permitted by KRS 141.388.
- 23 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 24 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 25 taken in the following order:
- 26 (a) The individual withholding tax credit permitted by KRS 141.350;
- 27 (b) The individual estimated tax payment credit permitted by KRS 141.305;

- 1 (c) For taxable years beginning after December 31, 2004, and before January 1,
2 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
- 3 (d) The certified rehabilitation credit permitted by KRS 171.3961 and
4 171.397(1)(b); and
- 5 (e) The film industry tax credit ~~permitted~~allowed by KRS 141.383.
- 6 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
7 tax imposed by KRS 141.040.
- 8 (5) The following nonrefundable credits shall be applied against the sum of the tax
9 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
10 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 11 (a) The economic development credits computed under KRS 141.347, 141.381,
12 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-
13 2088, and 154.27-080;
- 14 (b) The qualified farming operation credit permitted by KRS 141.412;
- 15 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 16 (d) The health insurance credit permitted by KRS 141.062;
- 17 (e) The unemployment credit permitted by KRS 141.065;
- 18 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 19 (g) The coal conversion credit permitted by KRS 141.041;
- 20 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods
21 ending prior to January 1, 2008;
- 22 (i) The tax credit for cash contributions to investment funds permitted by KRS
23 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
24 154.20-258;
- 25 (j) The coal incentive credit permitted ~~by~~under KRS 141.0405;
- 26 (k) The research facilities credit permitted ~~by~~under KRS 141.395;
- 27 (l) The employer GED incentive credit permitted ~~by~~under KRS 164.0062;

- 1 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 2 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 3 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 4 (p) The clean coal incentive credit permitted by KRS 141.428;
- 5 (q) The ethanol credit permitted by KRS 141.4242;
- 6 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- 7 (s) The energy efficiency credits permitted by KRS 141.436;
- 8 (t) The ENERGY STAR home or ENERGY STAR manufactured home credit
- 9 permitted by KRS 141.437;
- 10 (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 11 (v) The railroad expansion credit permitted by KRS 141.386;
- 12 (w) The Endow Kentucky credit permitted by KRS 141.438;
- 13 (x) The New Markets Development Program credit permitted by KRS 141.434;
- 14 (y) The food donation credit permitted by KRS 141.392;~~and~~
- 15 (z) The distilled spirits credit permitted by KRS 141.389; **and**
- 16 **(aa) The small business apprenticeship credit permitted by Section 1 of this Act.**
- 17 (6) After the application of the nonrefundable credits in subsection (5) of this section,
- 18 the refundable credits shall be taken in the following order:
- 19 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 20 (b) The certified rehabilitation credit permitted by KRS 171.3961 and
- 21 171.397(1)(b); and
- 22 (c) The film industry tax credit **permitted by**~~allowed in~~ KRS 141.383.

23 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 343 IS CREATED TO

24 READ AS FOLLOWS:

25 **(1) On or before March 1, 2017, and annually thereafter, the Department of**

26 **Workplace Standards shall certify to the Department of Revenue:**

27 **(a) The name, address, and unique identifying number of every small business**

- 1 qualifying for the tax credit permitted by Section 1 of this Act;
- 2 (b) That each apprentice employed by that small business:
- 3 1. Works in Kentucky;
- 4 2. Works at least one hundred twenty (120) hours during each month of
- 5 employment; and
- 6 3. Is not a preapprentice;
- 7 (c) The date the apprentice is first employed by that small business;
- 8 (d) The date the apprentice successfully completes the probationary period with
- 9 that small business;
- 10 (e) The work location of each apprentice hired; and
- 11 (f) That the apprenticeship program meets the requirements of subsection
- 12 (4)(a)2. and 3. of Section 1 of this Act.

13 (2) The Department of Workplace Standards shall promulgate an administrative

14 regulation to administer the apprenticeship program.

15 ➔Section 4. KRS 131.190 is amended to read as follows:

16 (1)~~[(a)]~~ No present or former commissioner or employee of the department ~~[of~~

17 ~~Revenue]~~, present or former member of a county board of assessment appeals,

18 present or former property valuation administrator or employee, present or former

19 secretary or employee of the Finance and Administration Cabinet, former secretary

20 or employee of the Revenue Cabinet, or any other person, shall intentionally and

21 without authorization inspect or divulge any information acquired by him of the

22 affairs of any person, or information regarding the tax schedules, returns, or reports

23 required to be filed with the department or other proper officer, or any information

24 produced by a hearing or investigation, insofar as the information may have to do

25 with the affairs of the person's business.

26 (2)~~[(b)]~~ The prohibition established by subsection (1)~~[paragraph (a)]~~ of this section

27 shall~~[subsection does]~~ not extend to:

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

- 1 the information or ten dollars (\$10);~~[-or]~~
- 2 ~~(g)[7.]~~ Providing information to a licensing agency, the Transportation Cabinet,
3 or the Kentucky Supreme Court under KRS 131.1817;
- 4 (h) Statistics of gasoline and special fuels gallonage reported to the department
5 under KRS 138.210 to 138.448;
- 6 (i) Statistics of crude oil reported to the department under the crude oil excise
7 tax requirements of KRS Chapter 137;
- 8 (j) Statistics of natural gas production reported to the department under the
9 natural resources severance tax requirements of KRS Chapter 143A;
- 10 (k) Those portions of mine maps submitted by taxpayers to the department
11 pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the
12 boundaries of mined-out parcel areas. These electronic maps shall not be
13 relied upon to determine actual boundaries of mined-out parcel areas.
14 Property boundaries contained in mine maps required under KRS Chapters
15 350 and 352 shall not be construed to constitute land surveying or boundary
16 surveys defined by KRS 322.010 and any administrative regulations
17 promulgated thereunder;
- 18 (l) Providing to other state agencies the report, filed with the department by an
19 employer, listing the policy number and the name and address of the
20 employer's workers' compensation insurance carrier under Section 5 of this
21 Act;
- 22 (m) The name and address of a cigarette stamping agent or distributor and the
23 number of sticks by brand name that have been purchased from a
24 nonparticipating manufacturer and have been stamped with Kentucky
25 stamps by that agent or distributor provided by Section 6 of this Act;
- 26 (n) A list of taxpayers that owe delinquent taxes or fees administered by the
27 department provided by Section 7 of this Act;

1 (o) Providing any utility gross receipts license tax return information that is
 2 necessary to administer the provisions of KRS 160.613 to 160.617 to
 3 applicable school districts on a confidential basis;

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

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

10 1. KRS 139.519 for purposes of the sales and use tax refund on building
 11 materials used for disaster recovery;

12 2. KRS 141.436 for purposes of the energy efficiency products credits;

13 3. KRS 141.437 for purposes of the ENERGY STAR home and the
 14 ENERGY STAR manufactured home credits;

15 4. Section 9 of this Act for purposes of the distilled spirits credit; or

16 5. Section 1 of this Act for purposes of the small business apprenticeship
 17 credit.

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

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

25 ~~(4)} Access to and inspection of information received from the Internal Revenue Service~~
 26 ~~is for department[of Revenue] use only, and is restricted to tax administration~~
 27 ~~purposes.[Notwithstanding the provisions of this section to the contrary,]~~

1 Information received from the Internal Revenue Service shall not be made available
2 to any other agency of state government, or any county, city, or other state, and shall
3 not be inspected intentionally and without authorization by any present secretary or
4 employee of the Finance and Administration Cabinet, commissioner or employee of
5 the department~~[of Revenue]~~, or any other person.

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

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

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

24 ➔Section 5. KRS 131.135 is amended to read as follows:

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

1 compensation insurance carrier.†

2 ~~(2) The report may be made available to other state agencies notwithstanding the~~
3 ~~confidentiality provisions of KRS 131.190.]~~

4 ➔Section 6. KRS 131.618 is amended to read as follows:

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

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

25 ➔Section 7. KRS 131.650 is amended to read as follows:

26 (1) ~~[Notwithstanding the provisions of KRS 131.190 or any other confidentiality law to~~
27 ~~the contrary,]~~The department may publish a list or lists of taxpayers that owe

1 delinquent taxes or fees administered by the department~~[of Revenue]~~, and that meet
2 the requirements of KRS 131.652.

3 (2) For purposes of this section, a taxpayer may be included on a list if:

4 (a) The taxes or fees owed remain unpaid at least forty-five (45) days after the
5 dates they became due and payable; and

6 (b) A tax lien or judgment lien has been filed of public record against the taxpayer
7 before notice is given under KRS 131.654.

8 (3) In the case of listed taxpayers that are business entities, the department~~[of~~
9 ~~Revenue]~~ may also list the names of responsible persons assessed pursuant to KRS
10 136.565, 138.885, 139.185, 141.340, and 142.357 for listed liabilities, who are not
11 protected from publication by subsection (2) of this section, and for whom the
12 requirements of KRS 131.652 are satisfied with regard to the personal assessment.

13 (4) Before any list is published under this section, the department shall document that
14 each of the conditions for publication as provided in this section has been satisfied,
15 and that procedures were followed to ensure the accuracy of the list and notice was
16 given to the affected taxpayers.

17 ➔Section 8. KRS 131.990 is amended to read as follows:

18 (1) Any person who fails or refuses to obey a subpoena or order of the Kentucky Board
19 of Tax Appeals made pursuant to KRS Chapter 13B shall be fined not less than
20 twenty-five dollars (\$25) nor more than five hundred dollars (\$500).

21 (2) (a) Any person who violates the intentional unauthorized inspection provisions of
22 KRS 131.190(1) shall be fined not more than five hundred dollars (\$500) or
23 imprisoned for not more than six (6) months, or both.

24 (b) Any person who violates the provisions of KRS 131.190(1) by divulging
25 confidential taxpayer information shall be fined not more than one thousand
26 dollars (\$1,000) or imprisoned for not more than one (1) year, or both.

27 (c) Any person who violates the intentional unauthorized inspection provisions of

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

1 noncompliance. The fine shall begin on the first day of the month beginning
2 after the expiration of the ninety (90) days.

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

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

16 ➔Section 9. KRS 141.389 is amended to read as follows:

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

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

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

27 3. For taxable years beginning on or after January 1, 2017, and before

- 1 December 31, 2017, the credit shall be equal to sixty percent (60%) of
2 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
3 timely basis;
- 4 4. For taxable years beginning on or after January 1, 2018, and before
5 December 31, 2018, the credit shall be equal to eighty percent (80%) of
6 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a
7 timely basis; and
- 8 5. For taxable years beginning on or after January 1, 2019, the credit shall
9 be equal to one hundred percent (100%) of the tax assessed under KRS
10 132.160 and paid under KRS 132.180 on a timely basis.
- 11 (b) The credit shall be applied both to the income tax imposed under KRS
12 141.020 or 141.040 and to the limited liability entity tax imposed under KRS
13 141.0401, with the ordering of the credits as provided in KRS 141.0205.
- 14 (2) The amount of distilled spirits credit allowed under subsection (1) of this section
15 shall be used only for capital improvements at the premises of the distiller licensed
16 pursuant to KRS Chapter 243. As used in this subsection, "capital improvement"
17 means any costs associated with:
- 18 (a) Construction, replacement, or remodeling of warehouses or facilities;
- 19 (b) Purchases of barrels and pallets used for the storage and aging of distilled
20 spirits in maturing warehouses;
- 21 (c) Acquisition, construction, or installation of equipment for the use in the
22 manufacture, bottling, or shipment of distilled spirits;
- 23 (d) Addition or replacement of access roads or parking facilities; and
- 24 (e) Construction, replacement, or remodeling of facilities to market or promote
25 tourism, including but not limited to a visitor's center.
- 26 (3) The distilled spirits credit allowed under subsection (1) of this section:
- 27 (a) May be accumulated for multiple taxable years;

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

- 1 (a) The name of each taxpayer taking the credit permitted by subsection (1) of
2 this section;
- 3 (b) The amount of credit taken by that taxpayer; and
- 4 (c) The type of capital improvement made for which the credit is claimed.

5 ➔Section 10. KRS 131.020 is amended to read as follows:

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

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

- 11 1. The Division of Special Investigations, headed by a division director
12 who shall report to the commissioner. The division shall investigate
13 alleged violations of the tax laws and recommend criminal prosecution
14 of the laws as warranted; and
- 15 2. The Division of Taxpayer Ombudsman, headed by a division director
16 who is appointed by the secretary pursuant to KRS 12.050, and who
17 shall report to the commissioner. The division shall perform those duties
18 set out in KRS 131.083;

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

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

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

1 Services, which shall be responsible for providing geographical
2 information system mapping support, ensuring proper filing of severance
3 tax returns, ensuring consistency of unmined coal assessments, and
4 gathering and providing data to properly assess minerals to the property
5 valuation administrators within the Commonwealth;

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

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

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

- 24 1. Division of Individual Income Tax, which shall administer the following
25 taxes or returns: individual income, fiduciary, and employer
26 withholding; and
- 27 2. Division of Corporation Tax, which shall administer the corporation

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