

1 AN ACT relating to income assistance and making an appropriation therefor.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 205 IS CREATED TO  
4 READ AS FOLLOWS:

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

6 *(a) "Eligible recipient" means an individual who:*

7 *1. Is a resident of Kentucky and has been a resident of Kentucky for the*  
8 *three (3) most recent consecutive taxable years;*

9 *2. Is at least eighteen (18) years of age at the time he or she otherwise*  
10 *becomes eligible to receive a universal basic income under the*  
11 *provisions of this section;*

12 *3. Is not currently incarcerated in a jail or prison; and*

13 *4. a. Lives in a household in which the reported gross income of all*  
14 *the individuals residing within that household combined is at or*  
15 *below two hundred percent (200%) of the federal poverty*  
16 *guidelines as defined in KRS 205.5621(6); and*

17 *b. Has a reported gross income that does not exceed one hundred*  
18 *percent (100%) of the median per capita income for the eligible*  
19 *recipient's county of residence, as determined by the United*  
20 *States Census Bureau;*

21 *(b) "Gross income" means the total income received by an individual but shall*  
22 *only include income subject to taxation under KRS Chapter 141 or 26*  
23 *U.S.C. secs. 61 et seq.;*

24 *(c) "Taxable year" has the same meaning as in KRS 141.010; and*

25 *(d) "Universal basic income" means cash payments of equal amounts issued*  
26 *monthly to each eligible recipient with the intention of ensuring the*  
27 *economic security of eligible recipients and for the promotion of the general*

1           welfare, but not for compensation for any services, to be used by the eligible  
2           recipient without conditions or limitations.

3   (2) The cabinet shall administer the Kentucky Universal Basic Income Program and  
4   the universal basic income fund is hereby created within the State Treasury. The  
5   fund shall consist of state appropriations, gifts, grants, and federal funds.  
6   Amounts deposited into the fund shall be used for the purposes set forth in this  
7   section. Notwithstanding KRS 45.229, any moneys remaining in the fund at the  
8   close of the fiscal year shall not lapse but shall be carried forward into the  
9   succeeding fiscal year to be used for the purposes set forth in this section. Any  
10   interest earnings of the fund shall become part of the fund and shall not lapse.  
11   Moneys in the fund are hereby appropriated for the purposes set forth in this  
12   section and shall not be diverted into any other fund.

13   (3) Subject to an appropriation by the General Assembly for this purpose, an eligible  
14   recipient shall be entitled to receive a universal basic income of one thousand  
15   dollars (\$1,000) per month, payable from the Universal Basic Income Fund,  
16   unless his or her reported gross income exceeds one hundred percent (100%) of  
17   the median per capita income for his or her county of residence.

18   (4) Subject to an appropriation by the General Assembly for this purpose, any person  
19   who received a universal basic income under subsection (3) of this section but  
20   became ineligible because his or her reported gross income exceeds one hundred  
21   percent (100%) of the median per capita income for his or her county of  
22   residence shall be entitled to receive a Kentucky workers' transitional income of  
23   five hundred dollars (\$500) per month, payable from the universal basic income  
24   fund, for up to twenty-four (24) months during which his or her reported gross  
25   income exceeds one hundred percent (100%) of the median per capita income for  
26   his or her county of residence or until his or her reported gross income reaches  
27   two hundred percent (200%) of the median per capita income for his or her

1 county of residence, whichever occurs first. If, at any time within the twenty-four  
 2 (24) month period outlined within this subsection, his or her reported gross  
 3 income falls below one hundred percent (100%) of the median per capita income  
 4 for his or her county of residence, then he or she shall be an eligible recipient to  
 5 receive a universal basic income under subsection (3) of this section.

6 (5) Notwithstanding any other statute to the contrary, receipt of universal basic  
 7 income shall not:

8 (a) Be considered taxable income for the purpose of state income taxes;

9 (b) Be considered in calculating any state tax credits;

10 (c) Be used to offset any liabilities owed by an eligible recipient; or

11 (d) Affect income eligibility of the eligible recipient or the household of the  
 12 eligible recipient for any public assistance, benefits, or programs,  
 13 administered or funded by the state.

14 (6) The secretary shall promulgate administrative regulations necessary to carry out  
 15 the provisions of this section.

16 ➔Section 2. KRS 141.019 is amended to read as follows:

17 In the case of taxpayers other than corporations:

18 (1) Adjusted gross income shall be calculated by subtracting from the gross income of  
 19 those taxpayers the deductions allowed individuals by Section 62 of the Internal  
 20 Revenue Code and adjusting as follows:

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

23 (b) Exclude income from supplemental annuities provided by the Railroad  
 24 Retirement Act of 1937 as amended and which are subject to federal income  
 25 tax by Pub. L. No. 89-699;

26 (c) Include interest income derived from obligations of sister states and political  
 27 subdivisions thereof;

- 1 (d) Exclude employee pension contributions picked up as provided for in KRS  
2 6.505, 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610,  
3 and 161.540 upon a ruling by the Internal Revenue Service or the federal  
4 courts that these contributions shall not be included as gross income until such  
5 time as the contributions are distributed or made available to the employee;
- 6 (e) Exclude Social Security and railroad retirement benefits subject to federal  
7 income tax;
- 8 (f) Exclude any money received because of a settlement or judgment in a lawsuit  
9 brought against a manufacturer or distributor of "Agent Orange" for damages  
10 resulting from exposure to Agent Orange by a member or veteran of the  
11 Armed Forces of the United States or any dependent of such person who  
12 served in Vietnam;
- 13 (g) 1. a. For taxable years beginning after December 31, 2005, but before  
14 January 1, 2018, exclude up to forty-one thousand one hundred ten  
15 dollars (\$41,110) of total distributions from pension plans, annuity  
16 contracts, profit-sharing plans, retirement plans, or employee  
17 savings plans; and
- 18 b. For taxable years beginning on or after January 1, 2018, exclude  
19 up to thirty-one thousand one hundred ten dollars (\$31,110) of  
20 total distributions from pension plans, annuity contracts, profit-  
21 sharing plans, retirement plans, or employee savings plans.
- 22 2. As used in this paragraph:
- 23 a. "Annuity contract" has the same meaning as set forth in Section  
24 1035 of the Internal Revenue Code;
- 25 b. "Distributions" includes but is not limited to any lump-sum  
26 distribution from pension or profit-sharing plans qualifying for the  
27 income tax averaging provisions of Section 402 of the Internal

- 1 Revenue Code; any distribution from an individual retirement  
2 account as defined in Section 408 of the Internal Revenue Code;  
3 and any disability pension distribution; and
- 4 c. "Pension plans, profit-sharing plans, retirement plans, or employee  
5 savings plans" means any trust or other entity created or organized  
6 under a written retirement plan and forming part of a stock bonus,  
7 pension, or profit-sharing plan of a public or private employer for  
8 the exclusive benefit of employees or their beneficiaries and  
9 includes plans qualified or unqualified under Section 401 of the  
10 Internal Revenue Code and individual retirement accounts as  
11 defined in Section 408 of the Internal Revenue Code;
- 12 (h) 1. a. Exclude the portion of the distributive share of a shareholder's net  
13 income from an S corporation subject to the franchise tax imposed  
14 under KRS 136.505 or the capital stock tax imposed under KRS  
15 136.300; and
- 16 b. Exclude the portion of the distributive share of a shareholder's net  
17 income from an S corporation related to a qualified subchapter S  
18 subsidiary subject to the franchise tax imposed under KRS  
19 136.505 or the capital stock tax imposed under KRS 136.300.
- 20 2. The shareholder's basis of stock held in an S corporation where the S  
21 corporation or its qualified subchapter S subsidiary is subject to the  
22 franchise tax imposed under KRS 136.505 or the capital stock tax  
23 imposed under KRS 136.300 shall be the same as the basis for federal  
24 income tax purposes;
- 25 (i) Exclude income received for services performed as a precinct worker for  
26 election training or for working at election booths in state, county, and local  
27 primaries or regular or special elections;

- 1 (j) Exclude any capital gains income attributable to property taken by eminent  
2 domain;
- 3 (k) 1. Exclude all income from all sources for members of the Armed Forces  
4 who are on active duty and who are killed in the line of duty, for the year  
5 during which the death occurred and the year prior to the year during  
6 which the death occurred.
- 7 2. For the purposes of this paragraph, "all income from all sources" shall  
8 include all federal and state death benefits payable to the estate or any  
9 beneficiaries;
- 10 (l) Exclude all military pay received by members of the Armed Forces while on  
11 active duty;
- 12 (m) 1. Include the amount deducted for depreciation under 26 U.S.C. sec. 167  
13 or 168; and
- 14 2. Exclude the amounts allowed by KRS 141.0101 for depreciation;
- 15 (n) Include the amount deducted under 26 U.S.C. sec. 199A;
- 16 (o) Ignore any change in the cost basis of the surviving spouse's share of property  
17 owned by a Kentucky community property trust occurring for federal income  
18 tax purposes as a result of the death of the predeceasing spouse;~~and~~
- 19 (p) Allow the same treatment allowed under Pub. L. No. 116-260, secs. 276 and  
20 278, related to the tax treatment of forgiven covered loans, deductions  
21 attributable to those loans, and tax attributes associated with those loans for  
22 taxable years ending on or after March 27, 2020, but before January 1, 2022;  
23 and
- 24 (q) Exclude all income received from the universal basic income fund under  
25 Section 1 of this Act; and
- 26 (2) Net income shall be calculated by subtracting from adjusted gross income all the  
27 deductions allowed individuals by Chapter 1 of the Internal Revenue Code, as

1 modified by KRS 141.0101, except:

2 (a) Any deduction allowed by 26 U.S.C. sec. 164 for taxes;

3 (b) Any deduction allowed by 26 U.S.C. sec. 165 for losses, except wagering  
4 losses allowed under Section 165(d) of the Internal Revenue Code;

5 (c) Any deduction allowed by 26 U.S.C. sec. 213 for medical care expenses;

6 (d) Any deduction allowed by 26 U.S.C. sec. 217 for moving expenses;

7 (e) Any deduction allowed by 26 U.S.C. sec. 67 for any other miscellaneous  
8 deduction;

9 (f) Any deduction allowed by the Internal Revenue Code for amounts allowable  
10 under KRS 140.090(1)(h) in calculating the value of the distributive shares of  
11 the estate of a decedent, unless there is filed with the income return a  
12 statement that the deduction has not been claimed under KRS 140.090(1)(h);

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

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

27 (i) A taxpayer may elect to claim the standard deduction allowed by KRS

1           141.081 instead of itemized deductions allowed pursuant to 26 U.S.C. sec. 63  
2           and as modified by this section.