

1 AN ACT relating to opportunities in education.

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

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

5 *(1) As used in this section and Section 2 of this Act:*

6 *(a) "Annual receipts" means the total amount of contributions received by a*  
7 *qualified scholarship-granting organization for a scholarship program for*  
8 *which tax credits are awarded under this section during the qualified*  
9 *scholarship-granting organization's calendar or fiscal year;*

10 *(b) "Contribution" means a donation of cash or personal property, the value of*  
11 *which is the fair market value of the personal property at the time the*  
12 *donation is made;*

13 *(c) "Eligible student" means a resident, school-age student who:*

14 *1. a. Is a member of a household with an annual household income*  
15 *at the time of initially applying for a scholarship from a qualified*  
16 *scholarship organization of not more than two hundred percent*  
17 *(200%) of the amount of household income necessary to*  
18 *establish eligibility for reduced-price meals based on size of*  
19 *household as determined annually by the United States*  
20 *Department of Agriculture, pursuant to 42 U.S.C. secs. 1751 to*  
21 *1789;*

22 *b. Is a member of the household of an eligible student that is*  
23 *currently receiving a scholarship from a qualified scholarship*  
24 *organization under this section; or*

25 *c. Has previously qualified as an eligible student and has received*  
26 *a scholarship from a qualified scholarship-granting*  
27 *organization under this section;*

- 1           2. Has an active individualized education program written within the  
2           past thirty-six (36) months prior to applying for a scholarship under  
3           this section and that complies with administrative regulations  
4           promulgated by the Kentucky Board of Education; or
- 5           3. Has received a diagnosis from a physician licensed under KRS  
6           Chapter 311 or from a psychologist licensed under KRS Chapter 319  
7           for one (1) or more of the following:
- 8           a. Aphasia as defined in KRS 158.305;  
9           b. Autism as defined in KRS 164.981;  
10           c. Cerebral palsy;  
11           d. Down syndrome as defined in KRS 211.192;  
12           e. Dyscalculia as defined in KRS 158.305;  
13           f. Dysgraphia as defined in KRS 158.305;  
14           g. Dyslexia as defined in KRS 158.305;  
15           h. Muscular dystrophy; or  
16           i. Spina bifida as defined in KRS 211.192;
- 17           (d) "Income" has the same meaning as in the United States Department of  
18           Agriculture, Food and Nutrition Service, Child Nutrition Programs, Income  
19           Eligibility Guidelines, Federal Register Vol. 81, No. 56, published March  
20           23, 2016, and as updated annually as authorized by 42 U.S.C. sec.  
21           1758(b)(1)(A);
- 22           (e) "Individualized education program" or "IEP" has the same meaning as in  
23           KRS 158.281;
- 24           (f) "Qualified nonpublic school" means a nonpublic kindergarten, elementary,  
25           or secondary school located in this state that appears on the annual list of  
26           certified nonpublic schools issued by the Kentucky Board of Education or  
27           on the annual list of schools seeking certification by the board as a

- 1 nonpublic school as provided by Section 13 of this Act;
- 2 (g) "Qualified scholarship-granting organization" means a nonprofit
- 3 organization that:
- 4 1. Is exempt from federal taxation under Section 501(c)(3) of the
- 5 Internal Revenue Code;
- 6 2. Is organized for charitable purposes including receiving contributions
- 7 to provide scholarships to eligible students as follows:
- 8 a. For eligible students participating based on household income
- 9 levels, scholarships shall be granted to eligible students at more
- 10 than one (1) qualified nonpublic school; or
- 11 b. For eligible students with an active IEP or students diagnosed
- 12 with one (1) or more disabilities listed in paragraph (c)3. of this
- 13 subsection, scholarships shall be granted to eligible students to
- 14 attend a qualified nonpublic school or receive qualified services,
- 15 or both;
- 16 3. Distributes at least ninety percent (90%) of its annual receipts to a
- 17 scholarship program in this state; and
- 18 4. Is certified by the department as eligible to receive contributions which
- 19 qualify for the tax credit established under subsection (2) of this
- 20 section;
- 21 (h) "Qualified special services" means educational services and therapies
- 22 including but not limited to occupational therapy, physical therapy, and
- 23 speech-language therapy:
- 24 1. Chosen by parents for students with an active IEP or students
- 25 diagnosed with one (1) or more disabilities listed in paragraph (c)3. of
- 26 this subsection; and
- 27 2. Provided by a person licensed to practice medicine or occupational

1 therapy, physical therapy, or speech-language therapy in this state;

2 (i) "Scholarship" means funds awarded on behalf of an eligible student  
3 participating in a scholarship program. To obtain a scholarship, an eligible  
4 student shall not be concurrently enrolled in a scholarship program and a  
5 public school in this state;

6 (j) "Scholarship program" means a program that:

7 1. Provides scholarships to more than one (1) eligible student as follows:

8 a. For students participating based on family income, the amount  
9 of any awarded scholarship shall be based upon the financial  
10 needs of the student and shall not exceed the actual amount of  
11 tuition and required fees charged by the school to students who  
12 do not receive a scholarship under this program or receive some  
13 other form of financial aid; or

14 b. For students with an active IEP or for students diagnosed with  
15 one (1) or more disabilities listed in paragraph (c)3. of this  
16 subsection, the amount of any awarded scholarship shall be no  
17 less than five thousand dollars (\$5,000) and no greater than ten  
18 thousand dollars (\$10,000);

19 2. Has written policies and procedures in place concerning rebates or  
20 refunds of any scholarships issued to eligible students who withdraw  
21 from a scholarship program prior to the end of the period for which  
22 the scholarship was issued;

23 3. Has written policies and procedures in place that maintain the  
24 confidentiality of information pertaining to student eligibility,  
25 including household income and disability information; and

26 4. Does not provide scholarships for any costs or fees associated with  
27 athletics or extracurricular activities;

1 (k) "School age" means the earliest admission age to a qualified nonpublic  
2 school's kindergarten program or, if no kindergarten program is provided,  
3 the qualified nonpublic school's earliest admission age for beginners, until  
4 the student graduates from high school or at the end of the school year in  
5 which the student reaches twenty-one (21) years of age, whichever occurs  
6 first; and

7 (l) "Taxpayer" means a person subject to the tax imposed under KRS 136.505,  
8 141.020, 141.040, or 141.0401.

9 (2) (a) Effective for taxable years beginning on or after January 1, 2018, but  
10 before January 1, 2024, a nonrefundable, nontransferable tax credit shall  
11 be permitted against the tax imposed by KRS 136.505, 141.020, or 141.040  
12 and 141.0401, with the ordering of credit as provided in Section 3 or Section  
13 5 of this Act as applicable, for contributions made during a taxable year to  
14 one (1) or more qualified scholarship-granting organizations.

15 (b) If the taxpayer is a pass-through entity, the taxpayer shall apply the credit  
16 against the limited liability entity tax imposed by KRS 141.0401, and shall  
17 also pass the credit through to its members, partners, or shareholders in the  
18 same proportion as the distributive share of income or loss is passed  
19 through.

20 (c) The credit amount shall be equal to the lesser of:

21 1. Ninety percent (90%) of the total contributions made to qualified  
22 scholarship-granting organizations; or

23 2. One million dollars (\$1,000,000);  
24 per taxpayer, per taxable year.

25 (d) Any tax credit allowable under this section that is not used by the taxpayer  
26 in the current taxable year may be carried forward for up to five (5)  
27 succeeding taxable years until the credit has been utilized.

1       (e) The aggregate value of the total annual credit cap awarded shall be  
2       determined as follows:

3       1. In fiscal year 2018-2019, the credit awarded shall not exceed twenty-  
4       five million dollars (\$25,000,000); and

5       2. In each subsequent fiscal year:

6           a. If the aggregate value of all credits awarded during the  
7           immediately preceding fiscal year equals at least ninety percent  
8           (90%) of the annual credit cap available for that year, the  
9           annual credit cap for the current fiscal year shall be increased by  
10          twenty-five percent (25%) over the credit cap amount established  
11          for the immediately preceding fiscal year; or

12          b. If the aggregate value of all credits awarded during the  
13          immediately preceding fiscal year does not equal at least ninety  
14          percent (90%) of the annual credit cap available for that fiscal  
15          year, the annual credit cap shall remain at the same level as the  
16          annual credit cap for the immediately preceding fiscal year.

17       (3) (a) Authorizations for tax credits under this section shall be awarded on a first-  
18       come, first-served basis each fiscal year within the limitations set forth in  
19       this section.

20       (b) 1. Prior to making a contribution to a qualified scholarship-granting  
21       organization, the taxpayer or a qualified scholarship-granting  
22       organization acting on behalf of the taxpayer shall apply to the  
23       department for preapproval, in a manner prescribed by the  
24       department. Each application shall be submitted separately and shall  
25       provide the total amount of proposed contributions and the name of  
26       the qualified scholarship-granting organizations to which the  
27       contributions will be made.

- 1           2. The department shall preapprove or deny the amount of tax credit  
2           based upon the proposed contributions within thirty (30) days of  
3           receipt of the application required by subparagraph 1. of this  
4           paragraph and shall notify the taxpayer and the qualified scholarship-  
5           granting organizations of its decision. The notification shall include  
6           the amount of the tax credit approved, the name of the qualified  
7           scholarship-granting organization to which contributions may be  
8           made, and any other information the department deems necessary.
- 9           3. The department shall modify the amount of credit pending verification  
10           and the remaining amount of credit available to taxpayers as required  
11           by subsection (4)(b) of this section upon preapproval of a tax credit.
- 12           4. Within sixty (60) days of receipt of the department's preapproval  
13           notice, the taxpayer shall make the contribution to the qualified  
14           scholarship-granting organization and shall provide verification to the  
15           department, in a manner prescribed by the department, that the  
16           contribution has been made.
- 17           5. Upon receipt of verification that the contribution has been made or  
18           the expiration of the sixty (60) day period without verification,  
19           whichever occurs first, the department shall modify the amount of  
20           credit pending verification, the amount of credit allocated to  
21           taxpayers, and the remaining credit available to taxpayers, as  
22           applicable and as required by subsection (4)(b) of this section.
- 23           6. If a taxpayer applies or the qualified scholarship-granting  
24           organization applies on behalf of the taxpayer for preapproval under  
25           subparagraph 1. of this paragraph when no amount of credit remains  
26           for allocation, but a portion of the total amount of credit available is  
27           pending verification, the department shall notify the taxpayer and the

1 qualified scholarship-granting organization that the application is  
2 being held in abeyance and will be funded on a first-come, first-served  
3 basis or will be denied if all contributions are timely made.

4 (4) To administer the tax credit and the tax credit cap established in subsection  
5 (2) of this section, the department shall:

6 (a) Create the tax credit application form, the forms to be used by the  
7 department to notify the taxpayer and the qualified scholarship  
8 granting organization of preapproval or denial of the credit, and the  
9 educational materials to be distributed by the qualified scholarship-  
10 granting organizations;

11 (b) Create a Web site listing the amount of the total credit pending  
12 verification, the amount of the total credit allocated to date, and the  
13 remaining credit available to taxpayers making contributions to  
14 qualified scholarship-granting organizations;

15 (c) Allow the date and time stamp from each application for preapproval  
16 to establish the order in which the application was received;

17 (d) Notify the taxpayer and the qualified scholarship-granting  
18 organization of the amount of credit allocated to the taxpayer upon  
19 confirmation that the contribution has been made by the issuance of a  
20 tax credit allocation letter, which the taxpayer shall submit with the  
21 taxpayer's return when claiming the credit;

22 (e) Collect necessary data to provide the report required by Section 2 of  
23 this Act; and

24 (f) Promulgate administrative regulations in accordance with KRS  
25 Chapter 13A to establish the procedures and timelines for:

26 1. Nonprofit organizations to receive approval as qualified  
27 scholarship-granting organizations on an annual basis. The



- 1                   administrative regulations shall include a requirement that the  
2                   nonprofit organization submit with its application:
- 3                   a. A copy of the organization's income tax exemption under  
4                   Section 501(c)(3) of the Internal Revenue Code;
- 5                   b. A description of the scholarship program including  
6                   detailed information concerning the application and review  
7                   process, and eligibility verification procedures utilized by  
8                   the organization;
- 9                   c. A voluntary agreement by the organization to provide the  
10                  information necessary for the department to comply with  
11                  Section 2 of this Act; and
- 12                  d. Any other information that the department may require to  
13                  verify the organization's qualification to participate; and
- 14                  2. Organizations to receive approval from the department to  
15                  evaluate the financial aid needs of eligible students.
- 16       (5) The department shall notify a nonprofit organization of its approval or  
17       disapproval as a qualified scholarship-granting organization within thirty (30)  
18       days after the organization has submitted the required information.
- 19       (6) (a) On or before January 1 of each year, the department shall publish on its  
20               Web site:
- 21               1. A list of qualified scholarship-granting organizations; and  
22               2. A list of organizations that have been approved to evaluate the  
23               financial aid needs of students seeking approval for scholarships  
24               based upon annual household income.
- 25       (b) The department shall make the lists available to the Kentucky Department  
26       of Education, which shall also publish the lists on its Web site.
- 27       (c) If a qualified scholarship-granting organization fails to contribute at least

1 ninety percent (90%) of its annual receipts to one (1) or more approved  
2 scholarship programs, or if the department determines that the organization  
3 no longer meets the requirements of this section, the department shall not  
4 include the organization on the list of qualified scholarship-granting  
5 organizations the following calendar year.

6 (d) Only contributions to qualified scholarship-granting organizations on the  
7 list maintained by the department for each calendar year shall be  
8 recognized for tax credits under this section.

9 (7) (a) Qualified scholarship-granting organizations shall:

10 1. Assist the department in educating taxpayers by distributing materials  
11 produced by the department regarding factual information about the  
12 tax credit;

13 2. Provide a receipt to the taxpayer for the contribution made;

14 3. Award scholarships only to eligible students. Scholarships based upon  
15 the need for financial aid shall be determined by an independent  
16 financial analysis by an organization that is:

17 a. Experienced in evaluating a student's need for financial aid; and

18 b. Approved by the department;

19 4. Suspend the issuance of any new scholarships if all contributions are  
20 restricted to eligible students of a single qualified nonpublic school;

21 5. Provide the department with an annual monitoring report for each  
22 eligible student which shall include:

23 a. The amount of scholarship received;

24 b. The student's grade level;

25 c. The student's county of residence;

26 d. The name of the school the student attended the previous school  
27 year and the county in which it is located;

- 1 e. The name of the qualified nonpublic school attended;  
2 f. The name of the county in which the qualified nonpublic school  
3 is located;  
4 g. The household income of the student, if the scholarship was  
5 granted based upon household income; and  
6 h. Any additional information required by the department for  
7 monitoring the scholarship credit program; and  
8 6. Submit a copy of an independent audit performed annually to verify  
9 use of annual receipts and compliance with this subsection.

10 (b) Qualified scholarship-granting organizations shall not:

- 11 1. Award a scholarship to a dependent of the organization's board of  
12 directors or staff;  
13 2. Accept a contribution from a taxpayer if the taxpayer designates that  
14 the contribution shall be used to award scholarships to a particular  
15 student or group of students; or  
16 3. Accept a contribution from a taxpayer if the taxpayer designates that  
17 the contribution shall be used to award scholarships to a specific  
18 qualified nonpublic school unless the qualified scholarship-granting  
19 organization also awards scholarships to one (1) or more other  
20 qualified nonpublic schools.

- 21 (8) If a taxpayer takes the credit permitted by this section, the taxpayer shall not be  
22 entitled to a Kentucky charitable contribution deduction for the contributions on  
23 which the credit has been taken.

24 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
25 READ AS FOLLOWS:

- 26 (1) The purpose of Section 1 of this Act is to provide resources to students through  
27 educational scholarships which:

1 (a) Provide more choices in education for eligible students from low- and  
2 middle-income families; and

3 (b) Ensure that more students in the Commonwealth have access to the  
4 classroom or educational services that work best for their unique needs.

5 (2) The department shall provide the following information to the Legislative  
6 Research Commission no later than November 1, 2018, and no later than  
7 November 1 each year thereafter as long as the credits are permitted:

8 (a) All information contained in each annual monitoring report filed by a  
9 qualified scholarship-granting organization as required by Section 1 of this  
10 Act and the administrative regulations promulgated thereunder, with each  
11 eligible student given a unique identification number;

12 (b) The number and total amount of scholarships awarded by qualified  
13 scholarship-granting organizations to eligible students:

14 1. Who meet the requirements of subsection (1)(c)1. of this Act, reported  
15 within household income range intervals of five thousand dollars  
16 (\$5,000);

17 2. Who have an active IEP; or

18 3. Who have been diagnosed with one (1) or more of the disabilities listed  
19 in subsection (1)(c)3. of Section 1 of this Act; and

20 (c) Any other information that may be necessary to assist the members of the  
21 General Assembly in determining that the purposes of this tax credit are  
22 being fulfilled.

23 ➔Section 3. KRS 141.0205 is amended to read as follows:

24 If a taxpayer is entitled to more than one (1) of the tax credits permitted~~[allowed]~~ against  
25 the tax imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and  
26 use of the credits shall be determined as follows:

27 (1) The nonrefundable business incentive credits against the tax imposed by KRS

- 1        141.020 shall be taken in the following order:
- 2        (a)    1.    For taxable years beginning after December 31, 2004, and before
- 3                    January 1, 2007, the corporation income tax credit permitted by KRS
- 4                    141.420(3)(a);
- 5                    2.    For taxable years beginning after December 31, 2006, the limited
- 6                    liability entity tax credit permitted by KRS 141.0401;
- 7        (b)    The economic development credits computed under KRS 141.347, 141.381,
- 8                    141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-
- 9                    2088, and 154.27-080;
- 10        (c)    The qualified farming operation credit permitted by KRS 141.412;
- 11        (d)    The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 12        (e)    The health insurance credit permitted by KRS 141.062;
- 13        (f)    The tax paid to other states credit permitted by KRS 141.070;
- 14        (g)    The credit for hiring the unemployed permitted by KRS 141.065;
- 15        (h)    The recycling or composting equipment credit permitted by KRS 141.390;
- 16        (i)    The tax credit for cash contributions in investment funds permitted by KRS
- 17                    154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS
- 18                    154.20-258;
- 19        (j)    The coal incentive credit permitted ~~by~~under KRS 141.0405;
- 20        (k)    The research facilities credit permitted ~~by~~under KRS 141.395;
- 21        (l)    The employer GED incentive credit permitted ~~by~~under KRS 164.0062;
- 22        (m)    The voluntary environmental remediation credit permitted by KRS 141.418;
- 23        (n)    The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 24        (o)    The environmental stewardship credit permitted by KRS 154.48-025;
- 25        (p)    The clean coal incentive credit permitted by KRS 141.428;
- 26        (q)    The ethanol credit permitted by KRS 141.4242;
- 27        (r)    The cellulosic ethanol credit permitted by KRS 141.4244;

- 1 (s) The energy efficiency credits permitted by KRS 141.436;
- 2 (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 3 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 4 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 5 (w) The food donation credit permitted by KRS 141.392;
- 6 (x) The distilled spirits credit permitted by KRS 141.389;~~[-and]~~
- 7 (y) The angel investor credit permitted by KRS 141.396; and
- 8 (z) The scholarship tax credit permitted by Section 1 of this Act.
- 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) The household and dependent care credit permitted by KRS 141.067; and
- 16 (e) The new home credit permitted by KRS 141.388.
- 17 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 18 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 19 taken in the following order:
- 20 (a) The individual withholding tax credit permitted by KRS 141.350;
- 21 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 22 (c) For taxable years beginning after December 31, 2004, and before January 1,
- 23 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
- 24 (d) The certified rehabilitation credit permitted by KRS 171.3961 and
- 25 171.397(1)(b); and
- 26 (e) The film industry tax credit permitted~~[-allowed]~~ by KRS 141.383.
- 27 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the

- 1 tax imposed by KRS 141.040.
- 2 (5) The following nonrefundable credits shall be applied against the sum of the tax  
3 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)  
4 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 5 (a) The economic development credits computed under KRS 141.347, 141.381,  
6 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-  
7 2088, and 154.27-080;
- 8 (b) The qualified farming operation credit permitted by KRS 141.412;
- 9 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 10 (d) The health insurance credit permitted by KRS 141.062;
- 11 (e) The unemployment credit permitted by KRS 141.065;
- 12 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 13 (g) The coal conversion credit permitted by KRS 141.041;
- 14 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods  
15 ending prior to January 1, 2008;
- 16 (i) The tax credit for cash contributions to investment funds permitted by KRS  
17 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
18 154.20-258;
- 19 (j) The coal incentive credit permitted ~~by~~under KRS 141.0405;
- 20 (k) The research facilities credit permitted ~~by~~under KRS 141.395;
- 21 (l) The employer GED incentive credit permitted ~~by~~under KRS 164.0062;
- 22 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 23 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 24 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 25 (p) The clean coal incentive credit permitted by KRS 141.428;
- 26 (q) The ethanol credit permitted by KRS 141.4242;
- 27 (r) The cellulosic ethanol credit permitted by KRS 141.4244;

- 1 (s) The energy efficiency credits permitted by KRS 141.436;
- 2 (t) The ENERGY STAR home or ENERGY STAR manufactured home credit
- 3 permitted by KRS 141.437;
- 4 (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 5 (v) The railroad expansion credit permitted by KRS 141.386;
- 6 (w) The Endow Kentucky credit permitted by KRS 141.438;
- 7 (x) The New Markets Development Program credit permitted by KRS 141.434;
- 8 (y) The food donation credit permitted by KRS 141.392;~~[-and]~~
- 9 (z) The distilled spirits credit permitted by KRS 141.389; and
- 10 (aa) The scholarship tax credit permitted by Section 1 of this Act.
- 11 (6) After the application of the nonrefundable credits in subsection (5) of this section,
- 12 the refundable credits shall be taken in the following order:
- 13 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 14 (b) The certified rehabilitation credit permitted by KRS 171.3961 and
- 15 171.397(1)(b); and
- 16 (c) The film industry tax credit allowed in KRS 141.383.

17 ➔SECTION 4. A NEW SECTION OF KRS 136.500 TO 136.575 IS CREATED  
 18 TO READ AS FOLLOWS:

19 (1) As used in this section:

20 (a) "Contribution" has the same meaning as in Section 1 of this Act; and

21 (b) "Qualified scholarship-granting organization" has the same meaning as in  
 22 Section 1 of this Act.

23 (2) Effective for tax years beginning on or after January 1, 2018, but before January  
 24 1, 2024, a financial institution shall be permitted a nonrefundable,  
 25 nontransferable tax credit against the tax imposed by KRS 136.505 for  
 26 contributions made during a tax year to one (1) or more qualified scholarship-  
 27 granting organizations as provided by Section 1 of this Act.



(3) Any tax credit permitted under this section that is not used by the taxpayer in the current taxable year may be carried forward for up to five (5) succeeding taxable years until the credit has been exhausted.

➔SECTION 5. A NEW SECTION OF KRS 136.500 TO 136.575 IS CREATED TO READ AS FOLLOWS:

If a taxpayer is entitled to more than one (1) of the tax credits permitted against the tax imposed by KRS 136.505, the priority of the application and the use of the credits shall be determined as follows:

(1) The nonrefundable credits shall be taken in the following order:

(a) The credit for cash contributions in investment funds permitted by KRS 154.20-258; and

(b) The scholarship tax credit permitted by Section 1 of this Act; and

(2) After the application of the nonrefundable credits in subsection (1) of this section, the refundable certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b) shall be taken.

➔Section 6. KRS 131.190 is amended to read as follows:

~~(1)(a)~~ No present or former commissioner or employee of the department ~~of Revenue~~, present or former member of a county board of assessment appeals, present or former property valuation administrator or employee, present or former secretary or employee of the Finance and Administration Cabinet, former secretary or employee of the Revenue Cabinet, or any other person, shall intentionally and without authorization inspect or divulge any information acquired by him of the affairs of any person, or information regarding the tax schedules, returns, or reports required to be filed with the department or other proper officer, or any information produced by a hearing or investigation, insofar as the information may have to do with the affairs of the person's business.

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

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

2 ~~(a)~~~~[1.]~~ Information required in prosecutions for making false reports or returns  
3 of property for taxation, or any other infraction of the tax laws;

4 ~~(b)~~~~[2.]~~ Any matter properly entered upon any assessment record, or in any way  
5 made a matter of public record;

6 ~~(c)~~~~[3.]~~ Furnishing any taxpayer or his properly authorized agent with  
7 information respecting his own return;

8 ~~(d)~~~~[4.]~~ Testimony provided by the commissioner or any employee of the  
9 department~~[of Revenue]~~ in any court, or the introduction as evidence of  
10 returns or reports filed with the department, in an action for violation of state  
11 or federal tax laws or in any action challenging state or federal tax laws;

12 ~~(e)~~~~[5.]~~ Providing an owner of unmined coal, oil or gas reserves, and other  
13 mineral or energy resources assessed under KRS 132.820~~[(4)]~~, or owners of  
14 surface land under which the unmined minerals lie, factual information about  
15 the owner's property derived from third-party returns filed for that owner's  
16 property, under the provisions of KRS 132.820~~[(2)]~~, that is used to determine  
17 the owner's assessment. This information shall be provided to the owner on a  
18 confidential basis, and the owner shall be subject to the penalties provided in  
19 KRS 131.990(2). The third-party filer shall be given prior notice of any  
20 disclosure of information to the owner that was provided by the third-party  
21 filer;

22 ~~(f)~~~~[6.]~~ Providing to a third-party purchaser pursuant to an order entered in a  
23 foreclosure action filed in a court of competent jurisdiction, factual  
24 information related to the owner or lessee of coal, oil, gas reserves, or any  
25 other mineral resources assessed under KRS 132.820~~[(4)]~~. The department  
26 may promulgate an administrative regulation establishing a fee schedule for  
27 the provision of the information described in this subparagraph. Any fee

1 imposed shall not exceed the greater of the actual cost of providing the  
2 information or ten dollars (\$10);~~[-or]~~

3 ~~(g)[7.]~~ Providing information to a licensing agency, the Transportation Cabinet,  
4 or the Kentucky Supreme Court under KRS 131.1817;

5 (h) Statistics of gasoline and special fuels gallonage reported to the department  
6 under KRS 138.210 to 138.448;

7 (i) Statistics of crude oil reported to the department under the crude oil excise  
8 tax requirements of KRS Chapter 137;

9 (j) Statistics of natural gas production reported to the department under the  
10 natural resources severance tax requirements of KRS Chapter 143A;

11 (k) Those portions of mine maps submitted by taxpayers to the department  
12 pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the  
13 boundaries of mined-out parcel areas. These electronic maps shall not be  
14 relied upon to determine actual boundaries of mined-out parcel areas.  
15 Property boundaries contained in mine maps required under KRS Chapters  
16 350 and 352 shall not be construed to constitute land surveying or boundary  
17 surveys defined by KRS 322.010 and any administrative regulations;

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 7 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 8 of this Act;

26 (n) A list of taxpayers that owe delinquent taxes or fees administered by the  
27 department provided by Section 9 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 11 of this Act for purposes of the distilled spirits credit; or

16       5. Sections 1 and 2 of this Act for purposes of the scholarship tax credit.

17       ~~(3) [(2) — The commissioner shall make available any information for official use only~~  
18       ~~and on a confidential basis to the proper officer, agency, board or commission of~~  
19       ~~this state, any Kentucky county, any Kentucky city, any other state, or the federal~~  
20       ~~government, under reciprocal agreements whereby the department shall receive~~  
21       ~~similar or useful information in return.~~

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

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

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

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

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

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

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

23 ➔Section 7. KRS 131.135 is amended to read as follows:

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

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

3 ➔Section 8. KRS 131.618 is amended to read as follows:

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

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

24 ➔Section 9. KRS 131.650 is amended to read as follows:

25 (1) ~~[Notwithstanding the provisions of KRS 131.190 or any other confidentiality law to~~  
26 ~~the contrary, ]~~The department may publish a list or lists of taxpayers that owe  
27 delinquent taxes or fees administered by the department~~[of Revenue]~~, and that meet

1 the requirements of KRS 131.652.

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

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

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

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

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

16 ➔Section 10. KRS 131.990 is amended to read as follows:

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

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

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

26 (c) Any person who violates the intentional unauthorized inspection provisions of  
27 KRS 131.190~~(3)~~~~(4)~~ shall be fined not more than one thousand dollars

1 (\$1,000) or imprisoned for not more than one (1) year, or both.

2 (d) Any person who violates the provisions of KRS 131.190~~(3)~~~~(4)~~ by divulging  
3 confidential taxpayer information shall be fined not more than five thousand  
4 dollars (\$5,000) or imprisoned for not more than five (5) years, or both.

5 (e) Any present secretary or employee of the Finance and Administration Cabinet,  
6 commissioner or employee of the department, member of a county board of  
7 assessment appeals, property valuation administrator or employee, or any  
8 other person, who violates the provisions of KRS 131.190(1) or ~~(3)~~~~(4)~~ may,  
9 in addition to the penalties imposed under this subsection, be disqualified and  
10 removed from office or employment.

11 (3) Any person who willfully fails to comply with the rules and regulations  
12 promulgated by the department for the administration of delinquent tax collections  
13 shall be fined not less than twenty dollars (\$20) nor more than one thousand dollars  
14 (\$1,000).

15 (4) Any person who fails to do any act required or does any act forbidden by KRS  
16 131.210 shall be fined not less than ten dollars (\$10) nor more than five hundred  
17 dollars (\$500).

18 (5) Any person who fails to comply with the provisions of KRS 131.155 shall, unless it  
19 is shown to the satisfaction of the department that the failure is due to reasonable  
20 cause, pay a penalty of one-half of one percent (0.5%) of the amount that should  
21 have been remitted under the provisions of KRS 131.155 for each failure to comply.

22 (6) (a) Any person or financial institution that fails to comply with the provisions of  
23 KRS 131.672 and 131.674 within ninety (90) days after notification by the  
24 department shall, unless the failure is due to reasonable cause as defined in  
25 KRS 131.010, be fined not less than one thousand dollars (\$1,000) and no  
26 more than five thousand dollars (\$5,000) for each full month of  
27 noncompliance. The fine shall begin on the first day of the month beginning



1 after the expiration of the ninety (90) days.

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

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

15 ➔Section 11. KRS 141.389 is amended to read as follows:

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

- 18 1. For taxable years beginning on or after January 1, 2015, and before  
19 December 31, 2015, the credit shall be equal to twenty percent (20%) of  
20 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
21 timely basis;
- 22 2. For taxable years beginning on or after January 1, 2016, and before  
23 December 31, 2016, the credit shall be equal to forty percent (40%) of  
24 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
25 timely basis;
- 26 3. For taxable years beginning on or after January 1, 2017, and before  
27 December 31, 2017, the credit shall be equal to sixty percent (60%) of

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

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

1           this section;

2           (b) The amount of credit taken by that taxpayer; and

3           (c) The type of capital improvement made for which the credit is claimed.

4           ➔Section 12. KRS 131.020 is amended to read as follows:

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

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

10           1. The Division of Special Investigations, headed by a division director  
11           who shall report to the commissioner. The division shall investigate  
12           alleged violations of the tax laws and recommend criminal prosecution  
13           of the laws as warranted; and

14           2. The Division of Taxpayer Ombudsman, headed by a division director  
15           who is appointed by the secretary pursuant to KRS 12.050, and who  
16           shall report to the commissioner. The division shall perform those duties  
17           set out in KRS 131.083;

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

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

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

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

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

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

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

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

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

21 ➔SECTION 13. A NEW SECTION OF KRS CHAPTER 156 IS CREATED TO  
22 READ AS FOLLOWS

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

24 **(a) "Nonpublic school" means a nonpublic kindergarten, elementary, or**  
25 **secondary school located in this state;**

26 **(b) "Qualified scholarship-granting organization" has the same meaning as in**  
27 **Section 1 of this Act; and**

1        (c) "Scholarship program" has the same meaning as in Section 1 of this Act.

2        (2) A nonpublic school that desires to become a participant in a scholarship program  
3        provided by a qualified scholarship-granting organization shall register with the  
4        Department of Education and notify the department of its intent to become a  
5        certified nonpublic school.

6        (3) The Kentucky Department of Education shall maintain a list of nonpublic  
7        schools seeking certification and shall promulgate administrative regulations in  
8        accordance with KRS Chapter 13A to:

9        (a) Establish timelines for meeting existing certification criteria and reporting  
10       requirements that ensure that the nonpublic schools are progressing  
11       through the certification process;

12       (b) Provide that the nonpublic school shall complete the certification process  
13       within five (5) years of beginning operations in the Commonwealth or  
14       within five (5) years of the effective date of this Act, whichever occurs last;

15       (c) Establish criteria allowing a nonpublic school to participate in a  
16       scholarship program provided by a qualified scholarship-granting  
17       organization as provided by Section 1 of this Act; and

18       (d) Publish on the Kentucky Board of Education's Web site an annual list of  
19       certified nonpublic schools and nonpublic schools seeking certification by  
20       the Kentucky Board of Education.