

1 AN ACT relating to the natural resources severance and processing tax.

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

3 ➔Section 1. KRS 143A.010 is amended to read as follows:

4 As used in this chapter:

- 5 (1) "Department" means the Department of Revenue;
- 6 (2) "Natural resource" means all forms of minerals including but not limited to rock,  
7 stone, limestone, shale, gravel, sand, clay, natural gas, and natural gas liquids which  
8 are contained in or on the soils or waters of this state. For purposes of this chapter,  
9 "natural resource" does not include coal and oil which are taxed under KRS 143.020  
10 and 137.120;
- 11 (3) "Severing" or "severed" means the physical removal of the natural resource from the  
12 earth or waters of this state by any means; however, "severing" or "severed" shall  
13 not include the removal of natural gas from underground storage facilities into  
14 which the natural gas has been mechanically injected following its initial removal  
15 from the earth;
- 16 (4) (a) "Taxpayer" means and includes any individual, partnership, joint venture,  
17 association, corporation, receiver, trustee, guardian, executor, administrator,  
18 fiduciary, or representative of any kind engaged in the business of severing  
19 and/or processing natural resources in this state for sale or use. In instances  
20 where contracts, either oral or written, are entered into whereby persons,  
21 organizations or businesses are engaged in the business of severing and/or  
22 processing a natural resource but do not obtain title to or do not have an  
23 economic interest therein, the party who owns the natural resource or has an  
24 economic interest is the taxpayer.
- 25 (b) For purposes of this chapter, a taxpayer possesses an economic interest in a  
26 natural resource where the taxpayer has acquired by investment any interest in  
27 a natural resource and secures, by any form of legal relationship, income

1 derived from the severance or processing of the natural resource, to which he  
2 must look for a return of his capital. A party who has no capital investment in  
3 the natural resource or who only receives an arm's length royalty shall not be  
4 considered as having an economic interest;

5 (5) "Gross value" is defined as follows:

- 6 (a) For natural resources severed and/or processed and sold during a reporting  
7 period, gross value is the amount received or receivable by the taxpayer;
- 8 (b) For natural resources severed and/or processed, but not sold during a reporting  
9 period, gross value shall be determined as follows:
- 10 1. If the natural resource is to be sold under the terms of an existing  
11 contract, the contract price shall be used in computing gross value; and
- 12 2. If there is no existing contract, the fair market value for that grade and  
13 quality of the natural resource shall be used in computing gross value;
- 14 (c) In a transaction involving related parties, gross value shall not be less than the  
15 fair market value for natural resources of similar grade and quality;
- 16 (d) In the absence of a sale, gross value shall be the fair market value for natural  
17 resources of similar grade and quality;
- 18 (e) If severed natural resources are purchased for the purpose of processing and  
19 resale, the gross value is the amount received or receivable during the  
20 reporting period reduced by the amount paid or payable to the taxpayer  
21 actually severing the natural resource;
- 22 (f) If severed natural resources are purchased for the purpose of processing and  
23 consumption, the gross value is the fair market value of processed natural  
24 resources of similar grade and quality reduced by the amount paid or payable  
25 to the taxpayer actually severing the natural resource;
- 26 (g) In all instances, the gross value shall not be reduced by any taxes including the  
27 tax levied in KRS 143A.020, royalties, sales commissions, or any other

1 expense; and

2 (h) In all instances, transportation expense incurred in transporting a natural  
3 resource shall not be considered as gross income from the property;

4 (6) (a) "Processing," for all natural resources, includes but is not limited to  
5 breaking, crushing, cleaning, drying, sizing, or loading or unloading for any  
6 purpose.

7 (b) "Processing," for all natural resources other than limestone, shall not  
8 include the act of unloading or loading for shipment natural resources,  
9 including sand and gravel, that have not been severed, cleaned, broken,  
10 crushed, dried, sized, or otherwise treated in Kentucky;

11 (7) "Related parties" means two (2) or more persons, organizations or businesses  
12 owned or controlled directly or indirectly by the same interests; and

13 (8) (a) "Transportation expense" means:

14 1. The amount paid by a taxpayer to a third party for transporting natural  
15 resources; and

16 2. The expenses incurred by a taxpayer using his own facilities in  
17 transporting natural resources from the point of extraction to a  
18 processing plant, tipple, or loading dock.

19 (b) "Transportation expense" shall not include:

20 1. The cost of acquisition, improvements, and maintenance of real  
21 property;

22 2. The cost of acquisition and operating expenses of mining and nonmining  
23 loading or unloading facilities; or

24 3. The cost of acquisition and operating expenses of equipment used to  
25 load or unload the natural resource at the point of extraction, processing  
26 facility, or mining and nonmining loading facility.

27 ➔Section 2. KRS 143A.035 is amended to read as follows:

- 1 (1) A credit is hereby allowed against the tax imposed by **KRS 143A.020**~~[this chapter]~~  
 2 on the gross value of limestone which is severed or processed within this state and  
 3 sold to a purchaser outside of this state. **This credit shall:**
- 4 ~~(a)(2)~~ ~~[The credit allowed in subsection (1) of this section shall]~~ Be equal to  
 5 the tax imposed by **KRS 143A.020**~~[this chapter]~~ on the gross value of a  
 6 similar quantity of severed or processed limestone valued as of the day the  
 7 sale is made to a purchaser outside of this state;~~[-]~~
- 8 ~~(b)(3)~~ ~~[The credit allowed in this section shall]~~ Extend only to a taxpayer who  
 9 severs or processes limestone through the rip-rap construction aggregate or  
 10 agricultural limestone stages, and who sells in interstate commerce not less  
 11 than sixty percent (60%) of such stone; **and**~~[-]~~
- 12 ~~(c)~~ ~~[The credit shall]~~ Not be allowed to a taxpayer who processes the limestone  
 13 beyond the agricultural limestone stage.
- 14 **(2) A credit is hereby allowed against the tax imposed by KRS 143A.020, from**  
 15 **August 1, 2018, to July 1, 2022, on the gross value of limestone that has been**  
 16 **severed or processed outside this state and then unloaded in this state, upon**  
 17 **which a severance tax substantially identical to the tax imposed by KRS 143A.020**  
 18 **for the privilege of severing or processing limestone has been paid by the**  
 19 **taxpayer to another state or any political subdivision thereof. This credit shall be**  
 20 **allowed as follows:**
- 21 **(a) The credit shall be equal to the amount of tax actually paid by the taxpayer**  
 22 **to the other state or political subdivision thereof, but shall not exceed the**  
 23 **liability of the taxpayer for the tax imposed by KRS 143A.020; and**
- 24 **(b) Proof of payment of the tax shall be submitted as prescribed by the**  
 25 **department.**
- 26 **(3) A taxpayer may not claim both of the credits allowed in subsection (1) and in**  
 27 **subsection (2) of this section in relation to the same limestone.**

1 (4) In no event shall a taxpayer be eligible to receive a total amount of any credit, or  
 2 any combination of credits, allowed by this section that exceeds the liability of the  
 3 taxpayer for the tax imposed by KRS 143A.020.

4 (5) On or before December 1, 2018, and annually thereafter as long as the credits in  
 5 subsection (1) and in subsection (2) of this section are permitted, the Department  
 6 of Revenue shall report to the Legislative Research Commission:

7 (a) The cumulative amount of tax credits claimed under subsection (1) and  
 8 under subsection (2) of this section by taxpayers for each taxable year;

9 (b) The number of taxpayers that claimed the credits under subsection (1) and  
 10 under subsection (2) of this section for each taxable year;

11 (c) Based on the mailing address of the return, the total amount of credits  
 12 claimed under subsection (1) and under subsection (2) of this section by  
 13 county for each taxable year; and

14 (d) 1. In the case of taxpayers other than corporations, based on ranges of  
 15 adjusted gross income of no larger than five thousand dollars  
 16 (\$5,000), the total amount of credits claimed under subsection (1) and  
 17 under subsection (2) of this section for each adjusted gross income  
 18 range for each taxable year; or

19 2. In the case of corporations, based on ranges of net income of no  
 20 larger than fifty thousand dollars (\$50,000), the total amount of  
 21 credits claimed for each net income range for each taxable year.

22 ➔Section 3. KRS 131.190 is amended to read as follows:

23 (1)~~[(a)]~~ No present or former commissioner or employee of the department ~~of~~  
 24 ~~Revenue~~, present or former member of a county board of assessment appeals,  
 25 present or former property valuation administrator or employee, present or former  
 26 secretary or employee of the Finance and Administration Cabinet, former secretary  
 27 or employee of the Revenue Cabinet, or any other person, shall intentionally and

1 without authorization inspect or divulge any information acquired by him of the  
2 affairs of any person, or information regarding the tax schedules, returns, or reports  
3 required to be filed with the department or other proper officer, or any information  
4 produced by a hearing or investigation, insofar as the information may have to do  
5 with the affairs of the person's business.

6 ~~(2)~~~~(b)~~ The prohibition established by subsection (1)~~paragraph (a)~~ of this section  
7 shall~~subsection does~~ not extend to:

8 ~~(a)~~~~1-~~ Information required in prosecutions for making false reports or returns  
9 of property for taxation, or any other infraction of the tax laws;

10 ~~(b)~~~~2-~~ Any matter properly entered upon any assessment record, or in any way  
11 made a matter of public record;

12 ~~(c)~~~~3-~~ Furnishing any taxpayer or his properly authorized agent with  
13 information respecting his own return;

14 ~~(d)~~~~4-~~ Testimony provided by the commissioner or any employee of the  
15 department~~of Revenue~~ in any court, or the introduction as evidence of  
16 returns or reports filed with the department, in an action for violation of state  
17 or federal tax laws or in any action challenging state or federal tax laws;

18 ~~(e)~~~~5-~~ Providing an owner of unmined coal, oil or gas reserves, and other  
19 mineral or energy resources assessed under KRS 132.820~~(1)~~, or owners of  
20 surface land under which the unmined minerals lie, factual information about  
21 the owner's property derived from third-party returns filed for that owner's  
22 property, under the provisions of KRS 132.820~~(2)~~, that is used to determine  
23 the owner's assessment. This information shall be provided to the owner on a  
24 confidential basis, and the owner shall be subject to the penalties provided in  
25 KRS 131.990(2). The third-party filer shall be given prior notice of any  
26 disclosure of information to the owner that was provided by the third-party  
27 filer;

1       ~~(f)~~<sup>6.</sup> Providing to a third-party purchaser pursuant to an order entered in a  
2       foreclosure action filed in a court of competent jurisdiction, factual  
3       information related to the owner or lessee of coal, oil, gas reserves, or any  
4       other mineral resources assessed under KRS 132.820~~[(1)]~~. The department  
5       may promulgate an administrative regulation establishing a fee schedule for  
6       the provision of the information described in this ~~paragraph~~<sup>subparagraph</sup>.  
7       Any fee imposed shall not exceed the greater of the actual cost of providing  
8       the information or ten dollars (\$10);~~[-or]~~

9       ~~(g)~~<sup>7.</sup> Providing information to a licensing agency, the Transportation Cabinet,  
10       or the Kentucky Supreme Court under KRS 131.1817;

11       **(h) Statistics of gasoline and special fuels gallonage reported to the department**  
12       **under KRS 138.210 to 138.448;**

13       **(i) Statistics of crude oil reported to the department under the crude oil excise**  
14       **tax requirements of KRS Chapter 137;**

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

17       **(k) Those portions of mine maps submitted by taxpayers to the department**  
18       **pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the**  
19       **boundaries of mined-out parcel areas. These electronic maps shall not be**  
20       **relied upon to determine actual boundaries of mined-out parcel areas.**  
21       **Property boundaries contained in mine maps required under KRS Chapters**  
22       **350 and 352 shall not be construed to constitute land surveying or boundary**  
23       **surveys defined by KRS 322.010 and any administrative regulations;**

24       **(l) Providing to other state agencies the report, filed with the department by an**  
25       **employer, listing the policy number and the name and address of the**  
26       **employer's workers' compensation insurance carrier under Section 4 of this**  
27       **Act;**

1 (m) The name and address of a cigarette stamping agent or distributor and the  
2 number of sticks by brand name that have been purchased from a  
3 nonparticipating manufacturer and have been stamped with Kentucky  
4 stamps by that agent or distributor provided by Section 5 of this Act;

5 (n) A list of taxpayers that owe delinquent taxes or fees administered by the  
6 department provided by Section 6 of this Act;

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

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

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

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

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

19 3. KRS 141.437 for purposes of the ENERGY STAR home and the  
20 ENERGY STAR manufactured home credits;

21 4. Section 8 of this Act for purposes of the distilled spirits credit; or

22 5. Section 2 of this Act for purposes of the limestone severance and  
23 processing tax credits.

24 ~~(3)(2) — The commissioner shall make available any information for official use only~~  
25 ~~and on a confidential basis to the proper officer, agency, board or commission of~~  
26 ~~this state, any Kentucky county, any Kentucky city, any other state, or the federal~~  
27 ~~government, under reciprocal agreements whereby the department shall receive~~



1 similar or useful information in return.

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

4 ~~(4)~~ Access to and inspection of information received from the Internal Revenue Service  
5 is for department~~[of Revenue]~~ use only, and is restricted to tax administration  
6 purposes.~~[Notwithstanding the provisions of this section to the contrary,]~~  
7 Information received from the Internal Revenue Service shall not be made available  
8 to any other agency of state government, or any county, city, or other state, and shall  
9 not be inspected intentionally and without authorization by any present secretary or  
10 employee of the Finance and Administration Cabinet, commissioner or employee of  
11 the department~~[of Revenue]~~, or any other person.

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

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

26 ~~(7) Notwithstanding any other provision of the Kentucky Revised Statutes, The~~  
27 ~~department may divulge to the applicable school districts on a confidential basis any~~

1 ~~utility gross receipts license tax return information that is necessary to administer~~  
2 ~~the provisions of KRS 160.613 to 160.617.]~~

3 ➔Section 4. KRS 131.135 is amended to read as follows:

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

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

10 ➔Section 5. KRS 131.618 is amended to read as follows:

11 (1) ~~[Notwithstanding KRS 131.190, ]~~The commissioner is authorized to disclose to the  
12 Attorney General the name and address of a stamping agent or distributor and the  
13 number of sticks by brand name that have been purchased from a nonparticipating  
14 manufacturer and have been stamped with Kentucky stamps by that agent or  
15 distributor. The Attorney General may share this information with federal, other  
16 state, or local agencies only for the purposes of enforcement of KRS 131.600 to  
17 131.630 or corresponding laws of other states. The Attorney General is further  
18 authorized to disclose to a nonparticipating manufacturer or its importers this  
19 information that has been provided by a stamping agent regarding the purchases  
20 from that nonparticipating manufacturer or its importers. This information provided  
21 by a stamping agent may be used in any enforcement action against the  
22 nonparticipating manufacturer or its importers by the Attorney General.

23 (2) In addition to the information required to be submitted pursuant to KRS 131.608,  
24 131.614, and 131.620, the Attorney General or the commissioner may require a  
25 stamping agent, distributor, participating manufacturer, nonparticipating  
26 manufacturer, or a nonparticipating manufacturer's importers to submit any  
27 additional information including but not limited to samples of the packaging or

1 labeling of each brand family as is necessary to enable the Attorney General to  
2 determine whether the participating manufacturer or the nonparticipating  
3 manufacturer and its importers are in compliance with KRS 131.600 to 131.630.

4 ➔Section 6. KRS 131.650 is amended to read as follows:

5 (1) ~~[Notwithstanding the provisions of KRS 131.190 or any other confidentiality law to~~  
6 ~~the contrary,]~~The department may publish a list or lists of taxpayers that owe  
7 delinquent taxes or fees administered by the department~~[of Revenue]~~, and that meet  
8 the requirements of KRS 131.652.

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

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

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

14 (3) In the case of listed taxpayers that are business entities, the department~~[of~~  
15 ~~Revenue]~~ may also list the names of responsible persons assessed pursuant to KRS  
16 136.565, 138.885, 139.185, 141.340, and 142.357 for listed liabilities, who are not  
17 protected from publication by subsection (2) of this section, and for whom the  
18 requirements of KRS 131.652 are satisfied with regard to the personal assessment.

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

23 ➔Section 7. KRS 131.990 (Effective June 29, 2017) is amended to read as  
24 follows:

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

- 1 (b) Any person who violates the provisions of KRS 131.190(1) by divulging  
2 confidential taxpayer information shall be fined not more than one thousand  
3 dollars (\$1,000) or imprisoned for not more than one (1) year, or both.
- 4 (c) Any person who violates the intentional unauthorized inspection provisions of  
5 KRS 131.190~~(3)~~~~(4)~~ shall be fined not more than one thousand dollars  
6 (\$1,000) or imprisoned for not more than one (1) year, or both.
- 7 (d) Any person who violates the provisions of KRS 131.190~~(3)~~~~(4)~~ by divulging  
8 confidential taxpayer information shall be fined not more than five thousand  
9 dollars (\$5,000) or imprisoned for not more than five (5) years, or both.
- 10 (e) Any present secretary or employee of the Finance and Administration Cabinet,  
11 commissioner or employee of the department, member of a county board of  
12 assessment appeals, property valuation administrator or employee, or any  
13 other person, who violates the provisions of KRS 131.190(1) or ~~(3)~~~~(4)~~ may,  
14 in addition to the penalties imposed under this subsection, be disqualified and  
15 removed from office or employment.
- 16 (2) Any person who willfully fails to comply with the rules and regulations  
17 promulgated by the department for the administration of delinquent tax collections  
18 shall be fined not less than twenty dollars (\$20) nor more than one thousand dollars  
19 (\$1,000).
- 20 (3) Any person who fails to do any act required or does any act forbidden by KRS  
21 131.210 shall be fined not less than ten dollars (\$10) nor more than five hundred  
22 dollars (\$500).
- 23 (4) Any person who fails to comply with the provisions of KRS 131.155 shall, unless it  
24 is shown to the satisfaction of the department that the failure is due to reasonable  
25 cause, pay a penalty of one-half of one percent (0.5%) of the amount that should  
26 have been remitted under the provisions of KRS 131.155 for each failure to comply.
- 27 (5) (a) Any person or financial institution that fails to comply with the provisions of

1 KRS 131.672 and 131.674 within ninety (90) days after notification by the  
2 department shall, unless the failure is due to reasonable cause as defined in  
3 KRS 131.010, be fined not less than one thousand dollars (\$1,000) and no  
4 more than five thousand dollars (\$5,000) for each full month of  
5 noncompliance. The fine shall begin on the first day of the month beginning  
6 after the expiration of the ninety (90) days.

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

15 (6) Any taxpayer or tax return preparer who fails or refuses to comply with the  
16 provisions of KRS 131.250 or an administrative regulation promulgated under KRS  
17 131.250 shall, unless it is shown to the satisfaction of the department that the failure  
18 is due to reasonable cause, pay a return processing fee of ten dollars (\$10) for each  
19 return not filed as required.

20 ➔Section 8. KRS 141.389 is amended to read as follows:

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

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

27 2. For taxable years beginning on or after January 1, 2016, and before

- 1 December 31, 2016, the credit shall be equal to forty percent (40%) of  
2 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
3 timely basis;
- 4 3. For taxable years beginning on or after January 1, 2017, and before  
5 December 31, 2017, the credit shall be equal to sixty percent (60%) of  
6 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
7 timely basis;
- 8 4. For taxable years beginning on or after January 1, 2018, and before  
9 December 31, 2018, the credit shall be equal to eighty percent (80%) of  
10 the tax assessed under KRS 132.160 and paid under KRS 132.180 on a  
11 timely basis; and
- 12 5. For taxable years beginning on or after January 1, 2019, the credit shall  
13 be equal to one hundred percent (100%) of the tax assessed under KRS  
14 132.160 and paid under KRS 132.180 on a timely basis.
- 15 (b) The credit shall be applied both to the income tax imposed under KRS  
16 141.020 or 141.040 and to the limited liability entity tax imposed under KRS  
17 141.0401, with the ordering of the credits as provided in KRS 141.0205.
- 18 (2) The amount of distilled spirits credit allowed under subsection (1) of this section  
19 shall be used only for capital improvements at the premises of the distiller licensed  
20 pursuant to KRS Chapter 243. As used in this subsection, "capital improvement"  
21 means any costs associated with:
- 22 (a) Construction, replacement, or remodeling of warehouses or facilities;
- 23 (b) Purchases of barrels and pallets used for the storage and aging of distilled  
24 spirits in maturing warehouses;
- 25 (c) Acquisition, construction, or installation of equipment for the use in the  
26 manufacture, bottling, or shipment of distilled spirits;
- 27 (d) Addition or replacement of access roads or parking facilities; and

- 1 (e) Construction, replacement, or remodeling of facilities to market or promote  
2 tourism, including but not limited to a visitor's center.
- 3 (3) The distilled spirits credit allowed under subsection (1) of this section:
- 4 (a) May be accumulated for multiple taxable years;
- 5 (b) Shall be claimed on the return of the taxpayer filed for the taxable year during  
6 which the credits were used pursuant to subsection (2) of this section; and
- 7 (c) Shall not include:
- 8 1. Any delinquent tax paid to the Commonwealth; or
- 9 2. Any interest, fees, or penalty paid to the Commonwealth.
- 10 (4) (a) Before the distilled spirits credit shall be allowed on any return, the capital  
11 improvements required by subsection (2) of this section shall be completed  
12 and specifically associated with the credit allowed on the return.
- 13 (b) The amount of distilled spirits credit allowed shall be recaptured if the capital  
14 improvement associated with the credit is sold or otherwise disposed of prior  
15 to the exhaustion of the useful life of the asset for Kentucky depreciation  
16 purposes.
- 17 (c) If the allowed credit is associated with multiple capital improvements, and not  
18 all capital improvements are sold or otherwise disposed of, the distilled spirits  
19 credit shall be prorated based on the cost of the capital improvement sold over  
20 the total cost of all improvements associated with the credit.
- 21 (5) If the taxpayer is a pass-through entity, the taxpayer may apply the credit against the  
22 limited liability entity tax imposed by KRS 141.0401, and shall pass the credit  
23 through to its members, partners, or shareholders in the same proportion as the  
24 distributive share of income or loss is passed through.
- 25 (6) The department may promulgate an administrative regulation pursuant to KRS  
26 Chapter 13A to implement the allowable credit under this section, require the filing  
27 of forms designed by the department, and require specific information for the

1 evaluation of the credit taken by any taxpayer.

2 (7) ~~Notwithstanding KRS 131.190,~~ No later than September 1, 2016, and annually  
3 thereafter, the department shall report to the Interim Joint Committee on  
4 Appropriations and Revenue:

5 (a) The name of each taxpayer taking the credit permitted by subsection (1) of  
6 this section;

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

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

9 ➔Section 9. KRS 131.020 (Effective June 29, 2017) is amended to read as  
10 follows:

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

14 (a) Office of the Commissioner, which shall consist of:

15 1. The Division of Protest Resolution, headed by a division director who  
16 shall report directly to the commissioner. The division shall administer  
17 the protest functions for the department from office resolution through  
18 court action; and

19 2. The Division of Taxpayer Ombudsman, headed by a division director  
20 who shall report to the commissioner. The division shall perform those  
21 duties set out in KRS 131.083;

22 (b) Office of Tax Policy and Regulation, headed by an executive director who  
23 shall report directly to the commissioner. The office shall be responsible for:

24 1. Providing oral and written technical advice on Kentucky tax law;

25 2. Drafting proposed tax legislation and regulations;

26 3. Testifying before legislative committees on tax matters;

27 4. Analyzing tax publications;



- 1           5.    Providing expert witness testimony in tax litigation cases;
- 2           6.    Providing consultation and assistance in protested tax cases; and
- 3           7.    Conducting training and education programs;
- 4       (c)   Office of Processing and Enforcement, headed by an executive director who
- 5           shall report directly to the commissioner. The office shall be responsible for
- 6           processing documents, depositing funds, collecting debt payments, and
- 7           coordinating, planning, and implementing a data integrity strategy. The office
- 8           shall consist of the:
- 9           1.    Division of Operations, which shall be responsible for opening all tax
- 10           returns, preparing the returns for data capture, coordinating the data
- 11           capture process, depositing receipts, maintaining tax data, and assisting
- 12           other state agencies with similar operational aspects as negotiated
- 13           between the department and the other agency;
- 14           2.    Division of Collections, which shall be responsible for initiating all
- 15           collection enforcement activity related to due and owing tax
- 16           assessments, including protest resolution, and for assisting other state
- 17           agencies with similar collection aspects as negotiated between the
- 18           department and the other state agency; and
- 19           3.    Division of Registration and Data Integrity, which shall be responsible
- 20           for registering businesses for tax purposes, ensuring that the data entered
- 21           into the department's tax systems is accurate and complete, and assisting
- 22           the taxing areas in proper procedures to ensure the accuracy of the data
- 23           over time;
- 24       (d)   Office of Property Valuation, headed by an executive director who shall report
- 25           directly to the commissioner. The office shall consist of the:
- 26           1.    Division of Local Support, which shall be responsible for providing
- 27           supervision, assistance, and training to the property valuation

- 1 administrators and sheriffs within the Commonwealth;
- 2 2. Division of State Valuation, which shall be responsible for providing
- 3 assessments of public service companies and motor vehicles, and
- 4 providing assistance to property valuation administrators and sheriffs
- 5 with the administration of tangible and omitted property taxes within the
- 6 Commonwealth; and
- 7 3. Division of Minerals Taxation and Geographical Information System
- 8 Services, which shall be responsible for providing geographical
- 9 information system mapping support, ensuring proper filing of severance
- 10 tax returns, ensuring consistency of unmined coal assessments, and
- 11 gathering and providing data to properly assess minerals to the property
- 12 valuation administrators within the Commonwealth;
- 13 (e) Office of Sales and Excise Taxes, headed by an executive director who shall
- 14 report directly to the commissioner. The office shall administer all matters
- 15 relating to sales and use taxes and miscellaneous excise taxes, including but
- 16 not limited to technical tax research, compliance, taxpayer assistance, tax-
- 17 specific training, and publications. The office shall consist of the:
- 18 1. Division of Sales and Use Tax, which shall administer the sales and use
- 19 tax; and
- 20 2. Division of Miscellaneous Taxes, which shall administer various other
- 21 taxes, including but not limited to alcoholic beverage taxes; cigarette
- 22 enforcement fees, stamps, meters, and taxes; gasoline tax; bank
- 23 franchise tax; inheritance and estate tax; insurance premiums and
- 24 insurance surcharge taxes; motor vehicle tire fees and usage taxes; and
- 25 special fuels taxes;
- 26 (f) Office of Income Taxation, headed by an executive director who shall report
- 27 directly to the commissioner. The office shall administer all matters related to

1 income and corporation license taxes, including technical tax research,  
2 compliance, taxpayer assistance, tax-specific training, and publications. The  
3 office shall consist of the:

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

- 1 appointed by the secretary with the approval of the Governor.
- 2 ➔Section 10. This Act takes effect August 1, 2018.