

1 AN ACT relating to the highly skilled employee tax credit.

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

3 ➔SECTION 1. SUBCHAPTER 13 OF KRS CHAPTER 154 IS ESTABLISHED,  
4 AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

5 *As used in this subchapter:*

6 *(1) "Authority" has the same meaning as in KRS 154.1-010;*

7 *(2) (a) "Average hourly wage" means the per-hour wage earned by a full-time*  
8 *employee as reflected on the employee's wage and tax statement for federal*  
9 *income tax purposes and includes wages, tips, overtime, bonuses, and*  
10 *commissions; and*

11 *(b) "Average hourly wage" does not include employee benefits as defined in*  
12 *KRS 154.32-010;*

13 *(3) "Business" means any entity organized for profit, subject to tax under KRS*  
14 *141.020 or 141.040 and 141.0401, and includes:*

15 *(a) A sole proprietor;*

16 *(b) A corporation as defined in KRS 141.010(24);*

17 *(c) An S corporation as defined in KRS 141.010(27);*

18 *(d) A limited liability pass through entity as defined in KRS 141.010(28); or*

19 *(e) A pass-through entity as defined in KRS 141.010(26) required to make a*  
20 *report the Department of Revenue;*

21 *(4) "Corporation" means the Bluegrass State Skills Corporation established by KRS*  
22 *154.12-205;*

23 *(5) "Eligible business" means a business operating in a high-demand industry*  
24 *sector;*

25 *(6) "Eligible position" means each position that:*

26 *(a) Is filled by a full-time employee;*

27 *(b) Is considered a highly skilled job in a high-demand industry sector; and*

- 1        (c) Carries an average hourly wage of no less than twenty-two dollars (\$22);  
 2        (7) "Full-time employee" means an individual employed by an eligible business for  
 3        at least an average of thirty-five (35) hours per week and subject to the state tax  
 4        imposed by KRS 141.020;  
 5        (8) "High-demand industry sector" means a specific industry sector determined by  
 6        the Kentucky Workforce Innovation Board or successor organization as having a  
 7        high demand of eligible positions that are vacant; and  
 8        (9) "Highly skilled employees" means an individual with certain skills determined by  
 9        the Kentucky Workforce Innovation Board or successor organization required to  
 10       fulfill the duty of an eligible position in a high-demand industry sector.

11       ➔ SECTION 2. A NEW SECTION OF SUBCHAPTER 13 OF KRS CHAPTER  
 12       154 IS CREATED TO READ AS FOLLOWS:

- 13       (1) (a) The corporation shall develop a tax credit program to assist a new or an  
 14       existing business in the recruitment and maintenance of highly skilled  
 15       employees in eligible positions.  
 16       (b) The tax credit program shall be available until January 1, 2022.  
 17       (2) The purpose of the tax credit program is to provide an incentive for:  
 18       (a) Existing Kentucky residents to stay within Kentucky and fill an eligible  
 19       position; or  
 20       (b) New employees to relocate to Kentucky and fill an eligible position.  
 21       (3) The corporation shall determine the terms, conditions, and requirements for  
 22       application for the credit, as provided by this section and KRS Chapter 13A.  
 23       (4) To be eligible to receive approval for a tax credit, an individual shall, at a  
 24       minimum:  
 25       (a) 1. Begin working in an eligible position; or  
 26       2. Continue to work in an eligible position; and  
 27       (b) Relocate to or maintain residency within the Commonwealth.

- 1 (5) The full-time employee shall submit with the application all information  
2 necessary for the corporation to determine eligibility for the tax credit.
- 3 (6) An application for the tax credit program shall contain, at a minimum:  
4 (a) Identification information about the:  
5 1. Eligible business;  
6 2. Eligible position; and  
7 3. Full-time employee, including verification of Kentucky residency; and  
8 (b) Any other information the corporation may require to determine eligibility  
9 for the credit.
- 10 (7) (a) The amount of tax credits that may be awarded in each fiscal year by the  
11 corporation shall not exceed three million dollars (\$3,000,000) and shall be  
12 awarded first come, first served based on the date an application is received  
13 by the authority.  
14 (b) The maximum amount of credit approved for an individual in each fiscal  
15 year shall not exceed one thousand five hundred dollars (\$1,500) and shall  
16 be prorated based on a factor, the numerator of which is the number of  
17 weeks the full-time employee held the eligible position during the year and  
18 the denominator of which is fifty-two (52).  
19 (c) The maximum amount of credit for an individual over the lifetime of  
20 employment shall not exceed twenty thousand dollars (\$20,000).
- 21 (8) The authority shall maintain a publicly available Web site on which it shall  
22 report:  
23 (a) At any point in time, the amount of credit awarded during a fiscal year and  
24 the remaining amount of credit that may be awarded based on the limit  
25 established by subsection (7)(a) of this section;  
26 (b) The number of applications that were received for a fiscal year, including  
27 the number of applications approved and the number of applications

1 denied.

2 (c) A list of each full-time employee awarded the tax credit for each year,  
 3 including information regarding the location of the employee, the skill  
 4 employed in the eligible position, and the high-demand industry sector for  
 5 the eligible position;

6 (d) The date each full-time employee was approved the tax credit;

7 (e) The amount of tax credit awarded for each full-time position for each fiscal  
 8 year; and

9 (f) A total amount of credit awarded for each fiscal year the credit is available.

10 (9) The authority shall work jointly with the Department of Revenue to share  
 11 information related to each individual awarded a tax credit and sufficient  
 12 information, including Social Security numbers, to ensure compliance on the  
 13 individual income tax return filed by the taxpayer and to provide the report  
 14 required by Section 3 of this Act.

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

17 (1) For taxable years beginning on or after January 1, 2018, but before January 1,  
 18 2022, a nonrefundable, nontransferable tax credit shall be allowed against the  
 19 tax imposed by KRS 141.020, with the ordering of credits as provided by Section 4  
 20 of this Act, as awarded under Section 2 of this Act.

21 (2) (a) The maximum amount of tax credit that may be awarded in each fiscal year  
 22 shall not exceed three million dollars (\$3,000,000).

23 (b) The maximum amount of tax credit that may be claimed by an individual in  
 24 a taxable year shall not exceed one thousand five hundred dollars (\$1,500).

25 (c) The lifetime maximum tax credit that may be claimed by an individual shall  
 26 not exceed twenty thousand dollars (\$20,000).

27 (3) (a) The tax credit shall be claimed on the individual income tax return filed for

1 the taxable year during which the credit was approved under Section 2 of  
 2 this Act.

3 (b) Any amount of credit that the individual is unable to utilize during the  
 4 taxable year may be carried forward for use in a succeeding taxable year for  
 5 a period not to exceed five (5) years.

6 (4) By November 1, 2019, and by November 1 of each year thereafter as long as the  
 7 tax credit is claimed on a return, the department shall report to the Interim Joint  
 8 Committee on Appropriations and Revenue the following information:

9 (a) All the data reported to the department as required by Section 2 of this Act,  
 10 excluding Social Security numbers;

11 (b) The amount of tax liability offset by the tax credit claimed on each  
 12 individual's return processed by the department for each taxable year and  
 13 the total amount of tax liability offset by the tax credit claimed for all  
 14 taxpayers for each taxable year;

15 (c) The amount of credit that remains as a carry forward to future taxable  
 16 years for each individual; and

17 (d) Any amount of credit denied for each individual.

18 ➔Section 4. KRS 141.0205 is amended to read as follows:

19 If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax  
 20 imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of  
 21 the credits shall be determined as follows:

22 (1) The nonrefundable business incentive credits against the tax imposed by KRS  
 23 141.020 shall be taken in the following order:

24 (a) 1. For taxable years beginning after December 31, 2004, and before  
 25 January 1, 2007, the corporation income tax credit permitted by KRS  
 26 141.420(3)(a);

27 2. For taxable years beginning after December 31, 2006, the limited

- 1 liability entity tax credit permitted by KRS 141.0401;
- 2 (b) The economic development credits computed under KRS 141.347, 141.381,  
3 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-  
4 2088, and 154.27-080;
- 5 (c) The qualified farming operation credit permitted by KRS 141.412;
- 6 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 7 (e) The health insurance credit permitted by KRS 141.062;
- 8 (f) The tax paid to other states credit permitted by KRS 141.070;
- 9 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 10 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 11 (i) The tax credit for cash contributions in investment funds permitted by KRS  
12 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
13 154.20-258;
- 14 (j) The coal incentive credit permitted ~~by~~ ~~under~~ KRS 141.0405;
- 15 (k) The research facilities credit permitted ~~by~~ ~~under~~ KRS 141.395;
- 16 (l) The employer High School Equivalency Diploma program incentive credit  
17 permitted ~~by~~ ~~under~~ KRS 164.0062;
- 18 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 19 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 20 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 21 (p) The clean coal incentive credit permitted by KRS 141.428;
- 22 (q) The ethanol credit permitted by KRS 141.4242;
- 23 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- 24 (s) The energy efficiency credits permitted by KRS 141.436;
- 25 (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 26 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 27 (v) The New Markets Development Program credit permitted by KRS 141.434;

- 1 (w) The food donation credit permitted by KRS 141.392;
- 2 (x) The distilled spirits credit permitted by KRS 141.389; and
- 3 (y) The angel investor credit permitted by KRS 141.396.
- 4 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 5 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 6 shall be taken in the following order:
- 7 (a) The individual credits permitted by KRS 141.020(3);
- 8 (b) The credit permitted by KRS 141.066;
- 9 (c) The tuition credit permitted by KRS 141.069;
- 10 (d) The household and dependent care credit permitted by KRS 141.067; and
- 11 (e) The new home credit permitted by KRS 141.388.
- 12 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 13 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 14 taken in the following order:
- 15 (a) The individual withholding tax credit permitted by KRS 141.350;
- 16 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 17 (c) For taxable years beginning after December 31, 2004, and before January 1,
- 18 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
- 19 (d) The certified rehabilitation credit permitted by KRS 171.3961 and
- 20 171.397(1)(b); ~~and~~
- 21 (e) The film industry tax credit permitted~~allowed~~ by KRS 141.383; and
- 22 (f) The highly skilled employee tax credit permitted by Section 3 of this Act.
- 23 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the
- 24 tax imposed by KRS 141.040.
- 25 (5) The following nonrefundable credits shall be applied against the sum of the tax
- 26 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)
- 27 of this section, and the tax imposed by KRS 141.0401 in the following order:

- 1 (a) The economic development credits computed under KRS 141.347, 141.381,  
2 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-  
3 2088, and 154.27-080;
- 4 (b) The qualified farming operation credit permitted by KRS 141.412;
- 5 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 6 (d) The health insurance credit permitted by KRS 141.062;
- 7 (e) The unemployment credit permitted by KRS 141.065;
- 8 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 9 (g) The coal conversion credit permitted by KRS 141.041;
- 10 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods  
11 ending prior to January 1, 2008;
- 12 (i) The tax credit for cash contributions to investment funds permitted by KRS  
13 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
14 154.20-258;
- 15 (j) The coal incentive credit permitted ~~by~~ KRS 141.0405;
- 16 (k) The research facilities credit permitted ~~by~~ KRS 141.395;
- 17 (l) The employer High School Equivalency Diploma program incentive credit  
18 permitted ~~by~~ KRS 164.0062;
- 19 (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- 20 (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 21 (o) The environmental stewardship credit permitted by KRS 154.48-025;
- 22 (p) The clean coal incentive credit permitted by KRS 141.428;
- 23 (q) The ethanol credit permitted by KRS 141.4242;
- 24 (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- 25 (s) The energy efficiency credits permitted by KRS 141.436;
- 26 (t) The ENERGY STAR home or ENERGY STAR manufactured home credit  
27 permitted by KRS 141.437;



- 1 (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 2 (v) The railroad expansion credit permitted by KRS 141.386;
- 3 (w) The Endow Kentucky credit permitted by KRS 141.438;
- 4 (x) The New Markets Development Program credit permitted by KRS 141.434;
- 5 (y) The food donation credit permitted by KRS 141.392; and
- 6 (z) The distilled spirits credit permitted by KRS 141.389.

7 (6) After the application of the nonrefundable credits in subsection (5) of this section,  
8 the refundable credits shall be taken in the following order:

- 9 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 10 (b) The certified rehabilitation credit permitted by KRS 171.3961 and  
11 171.397(1)(b); and
- 12 (c) The film industry tax credit permitted by~~allowed in~~ KRS 141.383.

13 ➔Section 5. KRS 131.190 is amended to read as follows:

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

24 (2)~~[(b)]~~ The prohibition established by subsection (1)~~paragraph (a)]~~ of this section  
25 shall~~subsection does]~~ not extend to:

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

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

3       **(c)**~~[3-]~~ Furnishing any taxpayer or his properly authorized agent with  
4           information respecting his own return;

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

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

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

27       **(g)**~~[7-]~~ Providing information to a licensing agency, the Transportation Cabinet,

1 or the Kentucky Supreme Court under KRS 131.1817;

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

4 (i) Providing any utility gross receipts license tax return information that is  
 5 necessary to administer the provisions of KRS 160.613 to 160.617 to  
 6 applicable school districts on a confidential basis; or

7 (j) Providing information to the Legislative Research Commission under:

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

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

11 3. KRS 141.437 for purposes of the ENERGY STAR home and the  
 12 ENERGY STAR manufactured home credits;

13 4. Section 6 of this Act for purposes of the distilled spirits credit; and

14 5. Section 3 of this Act for purposes of the highly skilled employee tax  
 15 credit.

16 ~~(3)(2)~~ The commissioner shall make available any information for official use only  
 17 and on a confidential basis to the proper officer, agency, board or commission of  
 18 this state, any Kentucky county, any Kentucky city, any other state, or the federal  
 19 government, under reciprocal agreements whereby the department shall receive  
 20 similar or useful information in return.

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

23 (4) Access to and inspection of information received from the Internal Revenue Service  
 24 is for department~~[of Revenue]~~ use only, and is restricted to tax administration  
 25 purposes.~~[ Notwithstanding the provisions of this section to the contrary,]~~  
 26 Information received from the Internal Revenue Service shall not be made available  
 27 to any other agency of state government, or any county, city, or other state, and shall

1 not be inspected intentionally and without authorization by any present secretary or  
2 employee of the Finance and Administration Cabinet, commissioner or employee of  
3 the department~~[of Revenue]~~, or any other person.

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

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

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

22 ➔Section 6. KRS 141.389 is amended to read as follows:

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

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

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

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

1 Chapter 13A to implement the allowable credit under this section, require the filing  
2 of forms designed by the department, and require specific information for the  
3 evaluation of the credit taken by any taxpayer.

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

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

11 ➔Section 7. KRS 131.020 is amended to read as follows:

12 (1) The Department of Revenue, headed by a commissioner appointed by the secretary  
13 with the approval of the Governor, shall be organized into the following functional  
14 units:

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

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

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

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

- 25 1. Providing oral and written technical advice on Kentucky tax law;
- 26 2. Drafting proposed tax legislation and regulations;
- 27 3. Testifying before legislative committees on tax matters;

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



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

1 directly to the commissioner. The office shall administer all matters related to  
2 income and corporation license taxes, including technical tax research,  
3 compliance, taxpayer assistance, tax-specific training, and publications. The  
4 office shall consist of the:

5 1. Division of Individual Income Tax, which shall administer the following  
6 taxes or returns: individual income, fiduciary, and employer  
7 withholding; and

8 2. Division of Corporation Tax, which shall administer the corporation  
9 income tax, corporation license tax, pass-through entity withholding,  
10 and pass-through entity reporting requirements; and

11 (g) Office of Field Operations, headed by an executive director who shall report  
12 directly to the commissioner. The office shall manage the regional taxpayer  
13 service centers and the field audit program.

14 (2) The functions and duties of the department shall include conducting conferences,  
15 administering taxpayer protests, and settling tax controversies on a fair and  
16 equitable basis, taking into consideration the hazards of litigation to the  
17 Commonwealth of Kentucky and the taxpayer. The mission of the department shall  
18 be to afford an opportunity for taxpayers to have an independent informal review of  
19 the determinations of the audit functions of the department, and to attempt to fairly  
20 and equitably resolve tax controversies at the administrative level.

21 (3) The department shall maintain an accounting structure for the one hundred twenty  
22 (120) property valuation administrators' offices across the Commonwealth in order  
23 to facilitate use of the state payroll system and the budgeting process.

24 (4) Except as provided in KRS 131.190(4), the department shall fully cooperate with  
25 and make tax information available as prescribed under KRS 131.190(3)~~(2)~~ to the  
26 Governor's Office for Economic Analysis as necessary for the office to perform the  
27 tax administration function established in KRS 42.410.

- 1 (5) Executive directors and division directors established under this section shall be
- 2 appointed by the secretary with the approval of the Governor.