

1 AN ACT relating to fiscal matters.

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

3 ➔Section 1. KRS 65.490 is amended to read as follows:

4 As used in KRS 65.490 to 65.499, unless the context otherwise requires:

- 5 (1) "Agency" means an urban renewal and community development agency of a taxing
6 district located within a county containing a consolidated local government or a city
7 of the first class, established under KRS Chapter 99; a development authority
8 located within a county containing a consolidated local government or a city of the
9 first class established under KRS Chapter 99; a nonprofit corporation located within
10 a county containing a consolidated local government or a city of the first class; or a
11 designated department, division, or office of a county containing a consolidated
12 local government or of a city of the first class;
- 13 (2) "Development area" means an area no~~t less than one (1) square mile, nor~~ more
14 than six (6) square miles, designated in need of public improvements by a local or
15 state government in a county containing a consolidated local government or a city
16 of the first class, a project area as defined in KRS 99.615, or a public project as
17 defined in KRS 58.010 in a county containing a consolidated local government or a
18 city of the first class. "Development area" includes an existing economic
19 development asset;
- 20 (3) "Increment" means that amount of money received by any taxing district or the
21 state that is determined by subtracting the amount of old revenues from the amount
22 of new revenues in any year for which a taxing district or the state and an agency
23 have agreed upon under the terms of a contract of release or a grant contract;
- 24 (4) "Local government" means a county containing a consolidated local government or
25 a city of the first class;
- 26 (5) "New revenues" means the revenues received by any taxing district or the state
27 from a development area in any year after the establishment of the development

1 area;

2 (6) "Old revenues" means the amount of revenues received by any taxing district or the
3 state from a development area in the last year prior to the establishment of the
4 development area;

5 (7) "Project" means any urban renewal, redevelopment, or public project undertaken in
6 accordance with the provisions of KRS 65.490 to 65.497, any project undertaken in
7 accordance with KRS 99.610 to 99.680, any project undertaken in accordance with
8 the provisions of KRS Chapter 58, or any "public project" as that term is defined in
9 KRS 58.010 undertaken by a nonprofit corporation located within a county
10 containing a consolidated local government or a city of the first class;

11 (8) "Release" or "contract of release" or "grant contract" means that agreement by
12 which a taxing district or the state permits the payment to an agency of a portion of
13 increments or an amount equal to a portion of increments received by it in return for
14 the benefits accrued to the taxing district or the state by reason of a project
15 undertaken by an agency in a development area;

16 (9) "Taxing district" means a consolidated local government, a county containing a city
17 of the first class, a city of the first class that encompasses all or part of a
18 development area, or the state, but does not mean a school district; and

19 (10) "Pilot program" means a tax increment financing program or a grant program
20 created by an agency within a consolidated local government or a county containing
21 a city of the first class which shall exist for a period of twenty (20) years, and may
22 be extended for a period not to exceed an additional twenty-five (25) years as
23 provided in KRS 65.4931.

24 ➔Section 2. KRS 65.494 is amended to read as follows:

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

26 **(a) "Existing development area" means a development area established by a**
27 **county containing a city of the first class or by a city of the first class prior**

1 to March 23, 2007, that is subject to the provisions of a grant contract,
2 Interlocal Cooperation Agreement, or Master Agreement executed prior to
3 March 23, 2007; and

4 (b) "New development area" means a development area that is created within
5 an existing development area.

6 (2) ~~[Effective on March 23, 2007,]~~ The provisions of KRS 65.490 to 65.499 shall apply
7 only to:

8 (a) Existing development areas; ~~and~~ ~~[which were established by a county~~
9 ~~containing a city of the first class or a city of the first class prior to March 23,~~
10 ~~2007, and that are subject to the provisions of a grant contract, Interlocal~~
11 ~~Cooperation Agreement or Master Agreement executed prior to March 23,~~
12 ~~2007]~~

13 (b) New development areas, provided that:

14 1. The project for the existing development area is amended to remove
15 the new development area from the existing development area;

16 2. All contracts regarding the application of increment derived from the
17 new development area require not less than ten percent (10%) of the
18 increment be paid to the agency for which the existing development
19 area was established;

20 3. Notwithstanding KRS 65.495 to the contrary, the payment to the
21 agency under subparagraph 2. of this paragraph shall not be taken
22 into account in determining whether thresholds within the contract
23 have been met; and

24 4. The amendment of the project for an existing development area is
25 approved by:

26 a. i. The county containing a city of the first class; or

27 ii. The city of the first class;

in which the existing development area is located;

b. The state;

c. The agency for which the existing development area was established; and

d. If applicable, the insurer of any bonds issued for the benefit of the agency for which the existing development area was established.

➔Section 3. KRS 131.250 is amended to read as follows:

(1) For the purpose of facilitating the administration of the taxes it administers, the department may require any tax return, report, or statement to be electronically filed.

(2) (a) A person required to electronically file a return, report, or statement may apply for a waiver from the requirement by submitting the request on a form prescribed by the department.

(b) The request shall indicate the lack of one (1) or more of the following:

1. Compatible computer hardware;
2. Internet access; or
3. Other technological capabilities determined relevant by the department.

(3) Beginning July 1, 2026, a licensee:

(a) Holding a microbrewery license and authorized to sell malt beverages under KRS 243.157; and

(b) Required to pay the:

1. Wholesale sales tax under Section 24 of this Act; and

2. Excise tax on malt beverages under subsection (3) of Section 20 of this Act;

shall electronically submit any payment and tax return, report, or statement to the department.

1 ➔Section 4. KRS 132.010 is amended to read as follows:

2 As used in this chapter, unless the context otherwise requires:

3 (1) "Department" means the Department of Revenue;

4 (2) "Taxpayer" means any person made liable by law to file a return or pay a tax;

5 (3) "Real property":

6 (a) Means all lands within this state and improvements thereon; and

7 (b) ~~[For property assessed on January 1, 2024, and on January 1, 2025,]~~Includes

8 but is not limited to mains, pipes, pipelines, and conduits that are:

9 1. Authorized to be installed in, upon, or under any public or private street
10 or place; and

11 2. Used or to be used for or in connection with the collection, transmission,
12 distribution, conducting, sale, or furnishing of heat, steam, water,
13 sewage, natural or manufactured gas, or electricity to or for the public;

14 (4) "Personal property" means every species and character of property, tangible and
15 intangible, other than real property;

16 (5) "Resident" means any person who has taken up a place of abode within this state
17 with the intention of continuing to abide in this state; any person who has had his or
18 her actual or habitual place of abode in this state for the larger portion of the twelve
19 (12) months next preceding the date as of which an assessment is due to be made
20 shall be deemed to have intended to become a resident of this state;

21 (6) "Compensating tax rate" means that rate which, rounded to the next higher one-
22 tenth of one cent (\$0.001) per one hundred dollars (\$100) of assessed value and
23 applied to the current year's assessment of the property subject to taxation by a
24 taxing district, excluding new property and personal property, produces an amount
25 of revenue approximately equal to that produced in the preceding year from real
26 property. However, in no event shall the compensating tax rate be a rate which,
27 when applied to the total current year assessment of all classes of taxable property,

1 produces an amount of revenue less than was produced in the preceding year from
2 all classes of taxable property. For purposes of this subsection, "property subject to
3 taxation" means the total fair cash value of all property subject to full local rates,
4 less the total valuation exempted from taxation by the homestead exemption
5 provision of the Constitution and the difference between the fair cash value and
6 agricultural or horticultural value of agricultural or horticultural land;

7 (7) "Net assessment growth" means the difference between:

- 8 (a) The total valuation of property subject to taxation by the county, city, school
9 district, or special district in the preceding year, less the total valuation
10 exempted from taxation by the homestead exemption provision of the
11 Constitution in the current year over that exempted in the preceding year; and
12 (b) The total valuation of property subject to taxation by the county, city, school
13 district, or special district for the current year;

14 (8) "New property" means the net difference in taxable value between real property
15 additions and deletions to the property tax roll for the current year. "Real property
16 additions" shall mean:

- 17 (a) Property annexed or incorporated by a municipal corporation, or any other
18 taxing jurisdiction; however, this definition shall not apply to property
19 acquired through the merger or consolidation of school districts, or the
20 transfer of property from one (1) school district to another;
21 (b) Property, the ownership of which has been transferred from a tax-exempt
22 entity to a nontax-exempt entity;
23 (c) The value of improvements to existing nonresidential property;
24 (d) The value of new residential improvements to property;
25 (e) The value of improvements to existing residential property when the
26 improvement increases the assessed value of the property by fifty percent
27 (50%) or more;

- 1 (f) Property created by the subdivision of unimproved property, provided, that
2 when the property is reclassified from farm to subdivision by the property
3 valuation administrator, the value of the property as a farm shall be a deletion
4 from that category;
- 5 (g) Property exempt from taxation, as an inducement for industrial or business
6 use, at the expiration of its tax exempt status;
- 7 (h) Property, the tax rate of which will change, according to the provisions of
8 KRS 82.085, to reflect additional urban services to be provided by the taxing
9 jurisdiction, provided, however, that the property shall be considered "real
10 property additions" only in proportion to the additional urban services to be
11 provided to the property over the urban services previously provided; and
- 12 (i) The value of improvements to real property previously under assessment
13 moratorium.
- 14 "Real property deletions" shall be limited to the value of real property removed
15 from, or reduced over the preceding year on, the property tax roll for the current
16 year;
- 17 (9) "Agricultural land" means:
- 18 (a) Any tract of land, including all income-producing improvements, of at least
19 ten (10) contiguous acres in area used for the production of livestock,
20 livestock products, poultry, poultry products and/or the growing of tobacco
21 and/or other crops including timber;
- 22 (b) Any tract of land, including all income-producing improvements, of at least
23 five (5) contiguous acres in area commercially used for aquaculture; or
- 24 (c) Any tract of land devoted to and meeting the requirements and qualifications
25 for payments pursuant to agriculture programs under an agreement with the
26 state or federal government;
- 27 (10) "Horticultural land" means any tract of land, including all income-producing

- 1 improvements, of at least five (5) contiguous acres in area commercially used for
2 the cultivation of a garden, orchard, or the raising of fruits or nuts, vegetables,
3 flowers, or ornamental plants;
- 4 (11) "Agricultural or horticultural value" means the use value of "agricultural or
5 horticultural land" based upon income-producing capability and comparable sales
6 of farmland purchased for farm purposes where the price is indicative of farm use
7 value, excluding sales representing purchases for farm expansion, better
8 accessibility, and other factors which inflate the purchase price beyond farm use
9 value, if any, considering the following factors as they affect a taxable unit:
- 10 (a) Relative percentages of tillable land, pasture land, and woodland;
11 (b) Degree of productivity of the soil;
12 (c) Risk of flooding;
13 (d) Improvements to and on the land that relate to the production of income;
14 (e) Row crop capability including allotted crops other than tobacco;
15 (f) Accessibility to all-weather roads and markets; and
16 (g) Factors which affect the general agricultural or horticultural economy, such
17 as: interest, price of farm products, cost of farm materials and supplies, labor,
18 or any economic factor which would affect net farm income;
- 19 (12) "Deferred tax" means the difference in the tax based on agricultural or horticultural
20 value and the tax based on fair cash value;
- 21 (13) "Homestead" means real property maintained as the permanent residence of the
22 owner with all land and improvements adjoining and contiguous thereto including
23 but not limited to lawns, drives, flower or vegetable gardens, outbuildings, and all
24 other land connected thereto;
- 25 (14) "Residential unit" means all or that part of real property occupied as the permanent
26 residence of the owner;
- 27 (15) "Special benefits" are those which are provided by public works not financed

1 through the general tax levy but through special assessments against the benefited
2 property;

3 (16) "Manufactured home" means a structure manufactured after June 15, 1976, in
4 accordance with the National Manufactured Housing Construction and Safety
5 Standards Act, transportable in one (1) or more sections, which when erected on
6 site measures eight (8) body feet or more in width and thirty-two (32) body feet or
7 more in length, and which is built on a permanent chassis and designed to be used
8 as a dwelling, with or without a permanent foundation, when connected to the
9 required utilities, and includes the plumbing, heating, air-conditioning, and
10 electrical systems contained therein. It may be used as a place of residence,
11 business, profession, or trade by the owner, lessee, or their assignees and may
12 consist of one (1) or more units that can be attached or joined together to comprise
13 an integral unit or condominium structure;

14 (17) "Mobile home" means a structure manufactured on or before June 15, 1976, that
15 was not required to be constructed in accordance with the National Manufactured
16 Housing Construction and Safety Standards Act, transportable in one (1) or more
17 sections, which when erected on site measures eight (8) body feet or more in width
18 and thirty-two (32) body feet or more in length, and which is built on a permanent
19 chassis and designed to be used as a dwelling, with or without a permanent
20 foundation, when connected to the required utilities, and includes the plumbing,
21 heating, air-conditioning, and electrical systems contained therein. It may be used
22 as a place of residence, business, profession, or trade by the owner, lessee, or their
23 assigns and may consist of one (1) or more units that can be attached or joined
24 together to comprise an integral unit or condominium structure;

25 (18) "Modular home" means a structure which is certified by its manufacturer as being
26 constructed in accordance with all applicable provisions of the Kentucky Building
27 Code and standards adopted by the local authority which has jurisdiction,

1 transportable in one (1) or more sections, and designed to be used as a dwelling on
2 a permanent foundation when connected to the required utilities, and includes the
3 plumbing, heating, air-conditioning, and electrical systems contained therein;

4 (19) "Prefabricated home" means a manufactured home, a mobile home, or a modular
5 home;

6 (20) "Recreational vehicle" means a vehicular type unit primarily designed as temporary
7 living quarters for recreational, camping, or travel use, which either has its own
8 motive power or is mounted on or drawn by another vehicle. The basic entities are:
9 travel trailer, camping trailer, truck camper, and motor home. As used in this
10 subsection:

11 (a) "Travel trailer" means a vehicular unit, mounted on wheels, designed to
12 provide temporary living quarters for recreational, camping, or travel use, and
13 of a size or weight that does not require special highway movement permits
14 when drawn by a motorized vehicle, and with a living area of less than two
15 hundred twenty (220) square feet, excluding built-in equipment (such as
16 wardrobes, closets, cabinets, kitchen units or fixtures) and bath and toilet
17 rooms;

18 (b) "Camping trailer" means a vehicular portable unit mounted on wheels and
19 constructed with collapsible partial side walls which fold for towing by
20 another vehicle and unfold at the camp site to provide temporary living
21 quarters for recreational, camping, or travel use;

22 (c) "Truck camper" means a portable unit constructed to provide temporary living
23 quarters for recreational, travel, or camping use, consisting of a roof, floor,
24 and sides, designed to be loaded onto and unloaded from the bed of a pick-up
25 truck; and

26 (d) "Motor home" means a vehicular unit designed to provide temporary living
27 quarters for recreational, camping, or travel use built on or permanently

1 attached to a self-propelled motor vehicle chassis or on a chassis cab or van
2 which is an integral part of the completed vehicle;

3 (21) "Hazardous substances" shall have the meaning provided in KRS 224.1-400;

4 (22) "Pollutant or contaminant" shall have the meaning provided in KRS 224.1-400;

5 (23) "Release" shall have the meaning as provided in either or both KRS 224.1-400 and
6 KRS 224.60-115;

7 (24) "Qualifying voluntary environmental remediation property" means real property
8 subject to the provisions of KRS 224.1-400 and 224.1-405, or 224.60-135 where the
9 Energy and Environment Cabinet has made a determination that:

10 (a) All releases of hazardous substances, pollutants, contaminants, petroleum, or
11 petroleum products at the property occurred prior to the property owner's
12 acquisition of the property;

13 (b) The property owner has made all appropriate inquiry into previous ownership
14 and uses of the property in accordance with generally accepted practices prior
15 to the acquisition of the property;

16 (c) The property owner or a responsible party has provided all legally required
17 notices with respect to hazardous substances, pollutants, contaminants,
18 petroleum, or petroleum products found at the property;

19 (d) The property owner is in compliance with all land use restrictions and does
20 not impede the effectiveness or integrity of any institutional control;

21 (e) The property owner complied with any information request or administrative
22 subpoena under KRS Chapter 224; and

23 (f) The property owner is not affiliated with any person who is potentially liable
24 for the release of hazardous substances, pollutants, contaminants, petroleum,
25 or petroleum products on the property pursuant to KRS 224.1-400, 224.1-405,
26 or 224.60-135, through:

27 1. Direct or indirect familial relationship;

- 1 2. Any contractual, corporate, or financial relationship, excluding
2 relationships created by instruments conveying or financing title or by
3 contracts for sale of goods or services; or
- 4 3. Reorganization of a business entity that was potentially liable;
- 5 (25) "Intangible personal property" means stocks, mutual funds, money market funds,
6 bonds, loans, notes, mortgages, accounts receivable, land contracts, cash, credits,
7 patents, trademarks, copyrights, tobacco base, allotments, annuities, deferred
8 compensation, retirement plans, and any other type of personal property that is not
9 tangible personal property;
- 10 (26) (a) "County" means any county, consolidated local government, urban-county
11 government, unified local government, or charter county government;
- 12 (b) "Fiscal court" means the legislative body of any county, consolidated local
13 government, urban-county government, unified local government, or charter
14 county government; and
- 15 (c) "County judge/executive" means the chief executive officer of any county,
16 consolidated local government, urban-county government, unified local
17 government, or charter county government;
- 18 (27) "Taxing district" means any entity with the authority to levy a local ad valorem tax,
19 including special purpose governmental entities;
- 20 (28) "Special purpose governmental entity" shall have the same meaning as in KRS
21 65A.010, and as used in this chapter shall include only those special purpose
22 governmental entities with the authority to levy ad valorem taxes, and that are not
23 specifically exempt from the provisions of this chapter by another provision of the
24 Kentucky Revised Statutes;
- 25 (29) (a) "Broadcast" means the transmission of audio, video, or other signals, through
26 any electronic, radio, light, or similar medium or method now in existence or
27 later devised over the airwaves to the public in general.

1 (b) "Broadcast" shall not apply to operations performed by multichannel video
2 programming service providers as defined in KRS 136.602 or any other
3 operations that transmit audio, video, or other signals, exclusively to persons
4 for a fee;

5 (30) "Livestock" means cattle, sheep, swine, goats, horses, alpacas, llamas, buffaloes,
6 and any other animals of the bovine, ovine, porcine, caprine, equine, or camelid
7 species;

8 (31) "Heavy equipment rental agreement" means the short-term rental contract under
9 which qualified heavy equipment is rented without an operator for a period:

10 (a) Not to exceed three hundred sixty-five (365) days; or

11 (b) That is open-ended under the terms of the contract with no specified end date;

12 (32) "Heavy equipment rental company" means an entity that is primarily engaged in a
13 line of business described in Code 532412 or 532310 of the North American
14 Industry Classification System Manual in effect on January 1, 2019;

15 (33) "Qualified heavy equipment" means machinery and equipment, including ancillary
16 equipment and any attachments used in conjunction with the machinery and
17 equipment, that is:

18 (a) Primarily used and designed for construction, mining, forestry, or industrial
19 purposes, including but not limited to cranes, earthmoving equipment, well-
20 drilling machinery and equipment, lifts, material handling equipment, pumps,
21 generators, and pollution-reducing equipment; and

22 (b) Held in a heavy equipment rental company's inventory for:

23 1. Rental under a heavy equipment rental agreement; or

24 2. Sale in the regular course of business;

25 (34) "Veteran service organization" means an organization wholly dedicated to
26 advocating on behalf of military veterans and providing charitable programs in
27 honor and on behalf of military veterans;

- 1 (35) "Government restriction on use" means a limitation on the use of at least fifty
2 percent (50%) of the individual dwelling units of a multi-unit rental housing in
3 order to receive a federal or state government incentive based on low-income renter
4 restrictions, including the following government incentives:
- 5 (a) A tax credit under Section 42 of the Internal Revenue Code;
 - 6 (b) Financing derived from exempt facility bonds for qualified residential rental
7 projects under Section 142 of the Internal Revenue Code;
 - 8 (c) A low-interest loan under Section 235 or 236 of the National Housing Act or
9 Section 515 of the Housing Act of 1949;
 - 10 (d) A rent subsidy;
 - 11 (e) A guaranteed loan;
 - 12 (f) A grant; or
 - 13 (g) A guarantee;
- 14 (36) "Low income" means earning at or below eighty percent (80%) of the area median
15 income as defined by the United States Department of Housing and Urban
16 Development for the location of the multi-unit rental housing; and
- 17 (37) "Multi-unit rental housing" means residential property or project consisting of four
18 (4) or more individual dwelling units and does not include:
- 19 (a) Assisted living facilities; or
 - 20 (b) Duplexes or single-family units unless they are included as part of a larger
21 property that is subject to government restriction on use.
- 22 ➔Section 5. KRS 136.010 is amended to read as follows:
- 23 As used in this chapter, except for KRS 136.500 to 136.575, unless the context requires
24 otherwise:
- 25 (1) "Out-of-state business property" means all real and personal property having a
26 taxable situs outside this state owned by a corporation for use in the active conduct
27 of a trade or business;

1 (2) "Personal property" means every species and character of property, tangible and
 2 intangible, other than real property;

3 (3) "Real property":

4 (a) Means all lands within this state and improvements thereon; and

5 (b) ~~For property assessed on January 1, 2024, and on January 1, 2025,]~~Includes
 6 but is not limited to mains, pipes, pipelines, and conduits that are:

7 1. Authorized to be installed in, upon, or under any public or private street
 8 or place; and

9 2. Used or to be used for or in connection with the collection, transmission,
 10 distribution, conducting, sale, or furnishing of heat, steam, water,
 11 sewage, natural or manufactured gas, or electricity to or for the public;
 12 and

13 (4) "Tax exempt United States obligations" means all obligations of the United States
 14 exempt from taxation under 31 U.S.C. sec. 3124(a) or exempt under the United
 15 States Constitution or any federal statute including the obligations of any
 16 instrumentality or agency of the United States which are exempt from state or local
 17 taxation under the United States Constitution or any statute of the United States.

18 ➔Section 6. KRS 132.140 is amended to read as follows:

19 (1) The department shall fix the value of the distilled spirits for the purpose of taxation,
 20 assess the same at its fair cash value, estimated at the price it would bring at a fair
 21 voluntary sale, calculate the exempt portion of the property taxes, and keep a record
 22 of the valuations and assessments. The department shall immediately notify the
 23 owner or proprietor of the bonded warehouse or premises of the amount fixed,
 24 including the portion of the property tax exemption as calculated in subsection (3)
 25 of this section.

26 (2) (a) For purposes of this subsection only, "revenue bond-financed warehouse"~~];~~
 27 ~~1. —"Premises"]~~ means a bonded warehouse or premises containing distilled

1 spirits:

2 1. Owned by a tax-exempt governmental unit or tax-exempt statutory
 3 authority under KRS Chapter 103;

4 ~~2. [a.]~~ The costs of which are financed by one (1) or more series of industrial
 5 revenue bonds under KRS Chapter 103 issued prior to January 1, 2024;
 6 and

7 ~~3. [b.]~~ Any portion of the costs of which remains financed by those industrial
 8 revenue bonds during any portion of the calendar year~~;~~ and

9 ~~2. "Taxpayer" means the owner, proprietor, or custodian of one (1) or more~~
 10 ~~premises].~~

11 (b) Notwithstanding subsection (3) of this section, for the taxation of distilled
 12 spirits stored or aging in barrels in a revenue bond-financed warehouse:

13 1. One hundred percent (100%) of the assessed value of the distilled
 14 spirits shall be subject to the applicable state and local ad valorem
 15 taxes; and

16 2. The state and local tax rate that may be levied on the distilled spirits ~~for~~
 17 ~~a taxpayer of a premises]~~ shall be the state and local tax rate for tax
 18 assessments made on January 1, 2023.

19 (c) Distilled spirits stored or aging in barrels in a revenue bond-financed ~~located~~
 20 ~~in a bonded]~~ warehouse ~~or premises]~~ shall be exempt from state and local ad
 21 valorem taxes for tax assessments made on or after January 1, 2043.

22 (3) ~~For [The maximum state and local tax rate that may be levied on]~~ distilled spirits
 23 stored or aging in barrels located in a bonded warehouse or premises, the portion of
 24 the assessed value that is subject to state and local ad valorem taxes shall be as
 25 follows:

26 (a) Ninety-six percent (96%) of the assessed value ~~[otherwise applicable tax rate]~~
 27 for tax assessments made on January 1, 2026;

- 1 (b) Ninety-two percent (92%) of the assessed value~~[otherwise applicable tax rate]~~
2 for tax assessments made on January 1, 2027;
- 3 (c) Eighty-eight percent (88%) of the assessed value~~[otherwise applicable tax~~
4 ~~rate]~~ for tax assessments made on January 1, 2028;
- 5 (d) Eighty-four percent (84%) of the assessed value~~[otherwise applicable tax~~
6 ~~rate]~~ for tax assessments made on January 1, 2029;
- 7 (e) Eighty percent (80%) of the assessed value~~[otherwise applicable tax rate]~~ for
8 tax assessments made on January 1, 2030;
- 9 (f) Seventy-six percent (76%) of the assessed value~~[otherwise applicable tax~~
10 ~~rate]~~ for tax assessments made on January 1, 2031;
- 11 (g) Seventy-two percent (72%) of the assessed value~~[otherwise applicable tax~~
12 ~~rate]~~ for tax assessments made on January 1, 2032;
- 13 (h) Sixty-eight percent (68%) of the assessed value~~[otherwise applicable tax rate]~~
14 for tax assessments made on January 1, 2033;
- 15 (i) Sixty-one percent (61%) of the assessed value~~[otherwise applicable tax rate]~~
16 for tax assessments made on January 1, 2034;
- 17 (j) Fifty-four percent (54%) of the assessed value~~[otherwise applicable tax rate]~~
18 for tax assessments made on January 1, 2035;
- 19 (k) Forty-four percent (44%) of the assessed value~~[otherwise applicable tax rate]~~
20 for tax assessments made on January 1, 2036;
- 21 (l) Thirty-eight percent (38%) of the assessed value~~[otherwise applicable tax~~
22 ~~rate]~~ for tax assessments made on January 1, 2037;
- 23 (m) Thirty-two percent (32%) of the assessed value~~[otherwise applicable tax rate]~~
24 for tax assessments made on January 1, 2038;
- 25 (n) Twenty-four percent (24%) of the assessed value~~[otherwise applicable tax~~
26 ~~rate]~~ for tax assessments made on January 1, 2039;
- 27 (o) Twenty percent (20%) of the assessed value~~[otherwise applicable tax rate]~~ for

- 1 tax assessments made on January 1, 2040;
- 2 (p) Fifteen percent (15%) of the assessed value~~[otherwise applicable tax rate]~~ for
- 3 tax assessments made on January 1, 2041; and
- 4 (q) Eight percent (8%) of the assessed value~~[otherwise applicable tax rate]~~ for tax
- 5 assessments made on January 1, 2042.
- 6 (4) Distilled spirits stored or aging in barrels located in a bonded warehouse or
- 7 premises shall be exempt from state and local ad valorem taxes for tax assessments
- 8 made on or after January 1, 2043.
- 9 (5) If any owner, proprietor, or custodian of a bonded warehouse or premises fails to
- 10 make the report required by KRS 132.130, the department shall ascertain the
- 11 necessary facts required to be reported. For that purpose the department shall have
- 12 access to the records of the owner, proprietor, or custodian; and the assessment
- 13 shall be made and taxes collected thereon, with interest and penalties, as though
- 14 regularly reported.
- 15 (6) The assessment made under (1) of this section shall be reviewed according to KRS
- 16 131.110.
- 17 ➔Section 7. KRS 138.208 is amended to read as follows:
- 18 (1) As used in this section:
- 19 (a) "Bonded warehouse or premises" does not include a revenue bond-
- 20 financed warehouse as defined in Section 6 of this Act for periods prior to
- 21 the 2043 calendar year;
- 22 (b) "Local jurisdiction" means:
- 23 1. A school district;
- 24 2. A fire protection district or subdistrict authorized to levy the ad valorem
- 25 tax permitted by KRS 75.015 and 75.040 and that provides fire or other
- 26 emergency services; and
- 27 3. An area served by an emergency services board that levies the ad

1 valorem tax permitted by KRS 75A.050 and provides fire or other
2 emergency services[;]

3 (b) ~~"Premises" means a bonded warehouse containing distilled spirits~~; and

4 (c) "Taxpayer" means the owner, proprietor, or custodian of one (1) ~~or[er]~~ more
5 **bonded warehouses or** premises.

6 (2) Beginning with the 2026 calendar year and for each subsequent calendar year
7 thereafter, in addition to any ad valorem taxes collected under KRS 132.150, there
8 is imposed a replacement tax on every taxpayer with a **bonded warehouse or**
9 premises located in a local jurisdiction that collected ad valorem tax during calendar
10 year 2025.

11 (3) The total replacement tax for each school district shall be:

12 (a) An amount that is not less than zero; and

13 (b) The result from the following calculation:

14 1. The ad valorem tax under KRS 132.150 on distilled spirits stored or
15 aging in a **bonded warehouse or** premises collected by or on behalf of
16 the school district during calendar year 2023;

17 2. Minus the amount of the ad valorem tax under KRS 132.150 collected
18 by or on behalf of the school district for the applicable calendar year;
19 and

20 3. Minus the amount by which the Support Education Excellence in
21 Kentucky program under KRS 157.310 to 157.440 final calculation for
22 the school year ending during the applicable calendar year exceeds the
23 Support Education Excellence in Kentucky program final calculation for
24 the 2022-2023 school year, as determined by the Department of
25 Education under KRS 157.410(3). For purposes of the Support
26 Education Excellence in Kentucky final calculation under this
27 subparagraph, the average daily attendance and equalization ratio for the

1 school year ending during the applicable calendar year shall not be less
2 than those for the 2022-2023 school year final calculation.

3 (4) The total replacement tax for each fire district or emergency services board shall be:

4 (a) An amount that is not less than zero; and

5 (b) The result from the following calculation:

6 1. The ad valorem tax under KRS 132.150 on distilled spirits stored or
7 aging in a **bonded warehouse or** premises collected by or on behalf of
8 the fire district or emergency services board during calendar year 2025;

9 2. Minus the amount of the ad valorem tax under KRS 132.150 collected
10 by or on behalf of the district or board for the applicable calendar year.

11 (5) (a) Each year the department shall assess taxpayers the replacement tax for the
12 preceding calendar year in proportion to the number of barrels of distilled
13 spirits stored and aging at their **bonded warehouse or** premises in the local
14 jurisdiction on January 1 of that preceding calendar year.

15 (b) If a business-wide reduction or extraordinary event occurs, any taxpayer may
16 apply to the secretary of the Finance and Administration Cabinet for a
17 reduction in the taxpayer's replacement tax assessment.

18 (c) For purposes of this subsection:

19 1. "Business-wide reduction" means that the volume of distilled spirits
20 **distilled and barreled**~~produced~~ by all taxpayers at all business
21 locations in this state during the applicable calendar year is less than the
22 volume of distilled spirits **distilled and barreled** at all business locations
23 in this state in calendar year 2025; and

24 2. "Extraordinary event" means a pandemic, epidemic, restrictive
25 governmental laws or regulations enacted after March 31, 2023, riots,
26 insurrection, war, acts of a government authority imposed after March
27 31, 2023, court orders issued after March 31, 2023, a natural disaster, a

1 decrease in sales in excess of ten percent (10%), or other reason of a like
2 nature determined by the secretary not to be the fault of the taxpayer and
3 any other items determined by the secretary to be beyond the taxpayer's
4 reasonable control, which prevents the taxpayer from distilling or
5 barreling~~[producing]~~ distilled spirits.

6 (6) All revenues received by the department from the tax imposed by this section shall
7 be distributed to the local jurisdiction for which the tax was levied within sixty (60)
8 days from the date received.

9 (7) The department shall administer the replacement tax levied by this section and, in
10 conjunction or consultation with any agency representing a local jurisdiction, may
11 promulgate administrative regulations to implement this section.

12 ➔Section 8. KRS 157.362 is amended to read as follows:

13 The portion of the assessed value of distilled spirits exempted from ad valorem taxes
14 under Section 6 of this Act~~[which equates to the percentage of the otherwise applicable~~
15 ~~tax rate that does not apply under KRS 132.140(3)]~~ shall not be included in the
16 calculation of the local effort required for Support Education Excellence in Kentucky or
17 the tax rate-setting process in KRS Chapter 160.

18 ➔Section 9. KRS 141.020 is amended to read as follows:

19 (1) An annual tax shall be paid for each taxable year by every resident individual of
20 this state upon his or her entire net income as defined in this chapter. The tax shall
21 be determined by applying the rates in subsection (2) of this section to net income
22 and subtracting allowable tax credits provided in subsection (3) of this section.

23 (2) (a) As used in this subsection:

24 1. "Balance in the BRTF at the end of a fiscal year" means the budget
25 reserve trust fund account established in KRS 48.705 and includes the
26 following amounts and actions resulting from the final close of the fiscal
27 year:

- 1 a. The amount of moneys in the fund at the end of a fiscal year;
- 2 b. All close-out actions related to a budget reduction plan under KRS
- 3 48.130 or as modified in a branch budget bill; and
- 4 c. All close-out actions related to the surplus expenditure plan under
- 5 KRS 48.140 or as modified in a branch budget bill;
- 6 2. "GF appropriations" means the authorization by the General Assembly
- 7 to expend GF moneys, excluding:
- 8 a. Continuing appropriations;
- 9 b. Any appropriation to the budget reserve trust fund;
- 10 c. Any lump-sum appropriation to a state-administered retirement
- 11 system, as defined in KRS 7A.210, that is in excess of the
- 12 appropriations specifically budgeted to meet the recurring
- 13 statutorily required contributions or recurring actuarially
- 14 determined contributions for a state-administered retirement
- 15 system under KRS 21.525, 61.565, 61.702, 78.635, 78.5536, or
- 16 161.550, as applicable; and
- 17 d. Any appropriation from the budget reserve trust fund account
- 18 established in KRS 48.705 that is:
- 19 i. Solely supported by moneys from the budget reserve trust
- 20 fund account; and
- 21 ii. Specifically identified in the appropriation language as not
- 22 being a GF appropriation for the purposes of this section;
- 23 3. "GF moneys" means receipts deposited in the general fund defined in
- 24 KRS 48.010, excluding tobacco moneys deposited in the fund
- 25 established in KRS 248.654;
- 26 4. "IIT equivalent" means the amount of reduction in GF moneys resulting
- 27 from a one (1) percentage point reduction to the individual income tax

rate and shall be calculated by dividing the actual individual income tax receipts for the fiscal year under consideration by:

- a. The sum of:
 - i. The individual income tax rate, expressed as a percentage, for the first six (6) months of the fiscal year; and
 - ii. The individual income tax rate, expressed as a percentage, for the second six (6) months of the fiscal year; and
- b. Dividing the sum determined in subdivision a. of this subparagraph by two (2); and

5. **For analysis through fiscal year 2024-2025 and for reporting through September 5, 2025:**

- a. "Reduction conditions" means:
 - ~~i. [a.]~~ The balance in the BRTF at the end of a fiscal year shall be equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and
 - ~~ii. [b.]~~ GF moneys at the end of a fiscal year shall be equal to or greater than GF appropriations for that fiscal year plus the IIT equivalent for that fiscal year; and
- ~~b. [6.]~~ "Tax rate reduction" means the current tax rate minus five-tenths of one percent (0.5%).

(b) 1. Beginning with the analysis for fiscal year 2025-2026 and thereafter, and for reporting beginning on or after September 5, 2026, "tax rate reduction conditions" means the greatest reduction achieved under subparagraphs 2. to 6. of this paragraph.

2. If:

- a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal**

1 year; and

2 **b. GF moneys at the end of a fiscal year are equal to or greater**
3 **than GF appropriations for that fiscal year plus an amount that**
4 **falls within a range of less than twenty-five percent (25%) of the**
5 **IIT equivalent for that fiscal year;**
6 **then the tax rate reduction may be the current tax rate minus one-**
7 **tenth of one percent (0.1%).**

8 **3. If:**

9 **a. The balance in the BRTF at the end of a fiscal year is equal to or**
10 **greater than ten percent (10%) of the GF moneys for that fiscal**
11 **year; and**
12 **b. GF moneys at the end of a fiscal year are equal to or greater**
13 **than GF appropriations for that fiscal year plus an amount that**
14 **falls within a range of twenty-five percent (25%) to less than fifty**
15 **percent (50%) of the IIT equivalent for that fiscal year;**
16 **then the tax rate reduction may be the current tax rate minus two-**
17 **tenths of one percent (0.2%).**

18 **4. If:**

19 **a. The balance in the BRTF at the end of a fiscal year is equal to or**
20 **greater than ten percent (10%) of the GF moneys for that fiscal**
21 **year; and**
22 **b. GF moneys at the end of a fiscal year are equal to or greater**
23 **than GF appropriations for that fiscal year plus an amount that**
24 **falls within a range of fifty percent (50%) to less than seventy-**
25 **five (75%) of the IIT equivalent for that fiscal year;**
26 **then the tax rate reduction may be the current tax rate minus three-**
27 **tenths of one percent (0.3%).**

1 5. If:

2 a. The balance in the BRTF at the end of a fiscal year is equal to or
3 greater than ten percent (10%) of the GF moneys for that fiscal
4 year; and

5 b. GF moneys at the end of a fiscal year are equal to or greater
6 than GF appropriations for that fiscal year plus an amount that
7 falls within a range of seventy-five percent (75%) to less than
8 one hundred percent (100%) of the IIT equivalent for that fiscal
9 year;

10 then the tax rate reduction may be the current tax rate minus four-
11 tenths of one percent (0.4%).

12 6. If:

13 a. The balance in the BRTF at the end of a fiscal year is equal to or
14 greater than ten percent (10%) of the GF moneys for that fiscal
15 year; and

16 b. GF moneys at the end of a fiscal year are equal to or greater
17 than GF appropriations for that fiscal year plus the IIT
18 equivalent for that fiscal year;

19 then the tax rate reduction may be the current tax rate minus five-
20 tenths of one percent (0.5%).

21 ~~(c)(b)~~ For taxable years beginning on or after January 1, 2023, but prior to
22 January 1, 2024, the tax shall be four and one-half percent (4.5%) of net
23 income.

24 ~~(d)(e)~~ For taxable years beginning on or after January 1, 2024, but before
25 January 1, 2026, the tax shall be four percent (4%) of net income.

26 (e) For taxable years beginning on or after January 1, 2026, the tax shall be
27 three and one-half percent (3.5%) of net income.

- 1 ~~(f)(d)~~ 1. For taxable years beginning on or after January 1, ~~2027~~[2025], the
 2 income tax rate may be reduced according to the annual process
 3 established in subparagraph[subparagraphs] 2. ~~or 3.~~[to 5.] of this
 4 paragraph.
- 5 2. a. The Office of State Budget Director shall review the reduction
 6 conditions for the fiscal year 2024-2025[2022-2023] no later than
 7 September 1, 2025[2023].
- 8 ~~b.~~[3.] After reviewing the reduction conditions under subdivision a. of
 9 this subparagraph[2. of this paragraph], the Office of State Budget
 10 Director shall, no later than September 5, 2025[2023], report to the
 11 Interim Joint Committee on Appropriations and Revenue:
- 12 i.[a.] Whether the reduction conditions for the fiscal year 2024-
 13 2025[2022-2023] have been met; and
- 14 ii.[b.] The amounts associated with each item within the reduction
 15 conditions used for making that determination.
- 16 c. i.[4.-a.] If the reduction conditions have been met for fiscal
 17 year 2024-2025[2022-2023], the General Assembly may take
 18 action to reduce the rate in paragraph ~~(e)~~[e] of this
 19 subsection for the taxable year beginning January 1,
 20 2027[2025].
- 21 ii.[b.] If the reduction conditions have not been met for fiscal year
 22 2024-2025[2022-2023] or the General Assembly does not
 23 take action to reduce the rate in paragraph ~~(e)~~[e] of this
 24 subsection, the department shall maintain the rate in
 25 paragraph ~~(e)~~[e] of this subsection for the taxable year
 26 beginning January 1, 2027[2025].
- 27 3. a. The Office of State Budget Director shall review the tax rate

1 reduction conditions for the fiscal year 2025-2026 no later than
2 September 1, 2026.

3 b. After reviewing the tax rate reduction conditions under
4 subdivision a. of this subparagraph, the Office of State Budget
5 Director shall, no later than September 5, 2026, report to the
6 Interim Joint Committee on Appropriations and Revenue:

7 i. Whether the tax rate reduction conditions for the fiscal
8 year 2025-2026 have been met; and

9 ii. The amounts associated with each item within the tax rate
10 reduction conditions used for making that determination.

11 c. i. If the tax rate reduction conditions have been met for fiscal
12 year 2025-2026, the General Assembly may take action to
13 reduce the rate in paragraph (e) of this subsection for the
14 taxable year beginning January 1, 2028.

15 ii. If the tax rate reduction conditions have not been met for
16 fiscal year 2025-2026 or the General Assembly does not
17 take action to reduce the rate in paragraph (e) of this
18 subsection, the department shall maintain the rate in
19 paragraph (e) of this subsection for the taxable year
20 beginning January 1, 2028.

21 ~~4.15.~~a. The Office of State Budget Director shall implement an annual
22 process to review and report future reduction conditions or tax
23 rate reduction conditions at the same time and in the same manner
24 for each fiscal year subsequent to the fiscal year 2022-2023 and
25 each taxable year subsequent to the taxable year beginning January
26 1, 2025.

27 b. The department shall not implement an income tax rate reduction

1 without an action by the General Assembly.

2 c. The annual process shall continue until the income tax rate is zero.

3 ~~(g)~~~~(e)~~ For taxable years beginning on or after January 1, 2018, but before
4 January 1, 2023, the tax shall be five percent (5%) of net income.

5 ~~(h)~~~~(f)~~ For taxable years beginning after December 31, 2004, and before
6 January 1, 2018, the tax shall be determined by applying the following rates to
7 net income:

- 8 1. Two percent (2%) of the amount of net income up to three thousand
9 dollars (\$3,000);
- 10 2. Three percent (3%) of the amount of net income over three thousand
11 dollars (\$3,000) and up to four thousand dollars (\$4,000);
- 12 3. Four percent (4%) of the amount of net income over four thousand
13 dollars (\$4,000) and up to five thousand dollars (\$5,000);
- 14 4. Five percent (5%) of the amount of net income over five thousand
15 dollars (\$5,000) and up to eight thousand dollars (\$8,000);
- 16 5. Five and eight-tenths percent (5.8%) of the amount of net income over
17 eight thousand dollars (\$8,000) and up to seventy-five thousand dollars
18 (\$75,000); and
- 19 6. Six percent (6%) of the amount of net income over seventy-five
20 thousand dollars (\$75,000).

21 (3) (a) The following tax credits, when applicable, shall be deducted from the result
22 obtained under subsection (2) of this section to arrive at the annual tax:

- 23 1. a. For taxable years beginning before January 1, 2014, twenty dollars
24 (\$20) for an unmarried individual; and
- 25 b. For taxable years beginning on or after January 1, 2014, and
26 before January 1, 2018, ten dollars (\$10) for an unmarried
27 individual;

- 1 2. a. For taxable years beginning before January 1, 2014, twenty dollars
2 (\$20) for a married individual filing a separate return and an
3 additional twenty dollars (\$20) for the spouse of taxpayer if a
4 separate return is made by the taxpayer and if the spouse, for the
5 calendar year in which the taxable year of the taxpayer begins, had
6 no Kentucky gross income and is not the dependent of another
7 taxpayer; or forty dollars (\$40) for married persons filing a joint
8 return, provided neither spouse is the dependent of another
9 taxpayer. The determination of marital status for the purpose of
10 this section shall be made in the manner prescribed in Section 153
11 of the Internal Revenue Code; and
- 12 b. For taxable years beginning on or after January 1, 2014, and
13 before January 1, 2018, ten dollars (\$10) for a married individual
14 filing a separate return and an additional ten dollars (\$10) for the
15 spouse of a taxpayer if a separate return is made by the taxpayer
16 and if the spouse, for the calendar year in which the taxable year of
17 the taxpayer begins, had no Kentucky gross income and is not the
18 dependent of another taxpayer; or twenty dollars (\$20) for married
19 persons filing a joint return, provided neither spouse is the
20 dependent of another taxpayer. The determination of marital status
21 for the purpose of this section shall be made in the manner
22 prescribed in Section 153 of the Internal Revenue Code;
- 23 3. a. For taxable years beginning before January 1, 2014, twenty dollars
24 (\$20) credit for each dependent. No credit shall be allowed for any
25 dependent who has made a joint return with his or her spouse; and
- 26 b. For taxable years beginning on or after January 1, 2014, and
27 before January 1, 2018, ten dollars (\$10) credit for each

1 dependent. No credit shall be allowed for any dependent who has
2 made a joint return with his or her spouse;

3 4. An additional forty dollars (\$40) credit if the taxpayer has attained the
4 age of sixty-five (65) before the close of the taxable year;

5 5. An additional forty dollars (\$40) credit for taxpayer's spouse if a
6 separate return is made by the taxpayer and if the taxpayer's spouse has
7 attained the age of sixty-five (65) before the close of the taxable year,
8 and, for the calendar year in which the taxable year of the taxpayer
9 begins, has no Kentucky gross income and is not the dependent of
10 another taxpayer;

11 6. An additional forty dollars (\$40) credit if the taxpayer is blind at the
12 close of the taxable year;

13 7. An additional forty dollars (\$40) credit for taxpayer's spouse if a
14 separate return is made by the taxpayer and if the taxpayer's spouse is
15 blind, and, for the calendar year in which the taxable year of the
16 taxpayer begins, has no Kentucky gross income and is not the dependent
17 of another taxpayer; and

18 8. An additional twenty dollars (\$20) credit shall be allowed if the taxpayer
19 is a member of the Kentucky National Guard at the close of the taxable
20 year.

21 (b) In the case of nonresidents, the tax credits allowable under this subsection
22 shall be the portion of the credits that are represented by the ratio of the
23 taxpayer's Kentucky adjusted gross income as determined by KRS 141.019 to
24 the taxpayer's adjusted gross income as defined in Section 62 of the Internal
25 Revenue Code. However, in the case of a married nonresident taxpayer with
26 income from Kentucky sources, whose spouse has no income from Kentucky
27 sources, the taxpayer shall determine allowable tax credit(s) by either:

- 1 1. The method contained above applied to the taxpayer's tax credit(s),
2 excluding credits for a spouse and dependents; or
- 3 2. Prorating the taxpayer's tax credit(s) plus the tax credits for the
4 taxpayer's spouse and dependents by the ratio of the taxpayer's
5 Kentucky adjusted gross income as determined by KRS 141.019 to the
6 total joint federal adjusted gross income of the taxpayer and the
7 taxpayer's spouse.
- 8 (c) In the case of a part-year resident, the tax credits allowable under this
9 subsection shall be the portion of the credits represented by the ratio of the
10 taxpayer's Kentucky adjusted gross income as determined by KRS 141.019 to
11 the taxpayer's adjusted gross income as defined in Section 62 of the Internal
12 Revenue Code.
- 13 (4) An annual tax shall be paid for each taxable year as specified in this section upon
14 the entire net income except as herein provided, from all tangible property located
15 in this state, from all intangible property that has acquired a business situs in this
16 state, and from business, trade, profession, occupation, or other activities carried on
17 in this state, by natural persons not residents of this state. A nonresident individual
18 shall be taxable only upon the amount of income received by the individual from
19 labor performed, business done, or from other activities in this state, from tangible
20 property located in this state, and from intangible property which has acquired a
21 business situs in this state; provided, however, that the situs of intangible personal
22 property shall be at the residence of the real or beneficial owner and not at the
23 residence of a trustee having custody or possession thereof. For taxable years
24 beginning on or after January 1, 2021, but before January 1, 2027, the tax imposed
25 by this section shall not apply to a disaster response employee or to a disaster
26 response business. The remainder of the income received by ~~the~~^{such} nonresident
27 shall be deemed nontaxable by this state.

1 (5) Subject to the provisions of KRS 141.081, any individual may elect to pay the
2 annual tax imposed by KRS 141.023 in lieu of the tax levied under this section.

3 (6) A part-year resident is subject to taxation, as prescribed in subsection (1) of this
4 section, during that portion of the taxable year that the individual is a resident and,
5 as prescribed in subsection (4) of this section, during that portion of the taxable year
6 when the individual is a nonresident.

7 ➔Section 10. KRS 141.381 is amended to read as follows:

8 (1) As used in this section:

9 (a) "Corporation" means the Bluegrass State Skills Corporation established by
10 KRS 154.12-205;

11 (b) "Educational institution" means a regionally accredited college, university, or
12 technical school;

13 (c) "Metropolitan College" means a nonprofit consortium that includes
14 educational institutions located within the Commonwealth and the qualified
15 taxpayer as members. The purpose of Metropolitan College shall be to
16 provide postsecondary educational opportunities to employees of the qualified
17 taxpayer as part of a combined work and postsecondary education program;

18 (d) "Other educational expenses" means the same kinds of educational expenses
19 that were permitted under the Metropolitan College Consortium Agreement
20 approved November 5, 2005; and

21 (e) "Qualified taxpayer" means any taxpayer who, on June 26, 2009, is a party to
22 the Metropolitan College Consortium Agreement approved November 5,
23 2005.

24 (2) To be eligible for the tax credit provided by this section, a qualified taxpayer shall
25 be a partner in Metropolitan College.

26 (3) A qualified taxpayer shall be allowed a nonrefundable credit against the tax
27 imposed by KRS 141.020 or 141.040, and KRS 141.0401, for each taxable year

1 beginning on or after July 1, 2010, in the amount of fifty percent (50%) of the
2 actual costs incurred by the qualified taxpayer for:

3 (a) Tuition paid to an educational institution for a student participating in the
4 Metropolitan College; and

5 (b) Other educational expenses paid on behalf of a student participating in the
6 Metropolitan College;

7 on behalf of employees of the qualified corporation, for up to two thousand eight
8 hundred (2,800) employees each year.

9 (4) To claim the credit each year, the qualified taxpayer shall, on an annual basis,
10 submit to the corporation information listing each employee of the qualified
11 taxpayer for whom tuition or other educational expenses were paid, the amount paid
12 on behalf of each employee, and the amount of credit the qualified company is
13 eligible to claim. The corporation shall review the information provided by the
14 qualified company, and shall notify the department and the qualified company of
15 the amount of credit the qualified company is eligible to claim.

16 (5) The credit allowed by this section for any taxable year shall not exceed the tax
17 liability of the taxpayer for the taxable year. Any credit not used may be carried
18 forward to subsequent years.

19 (6) The qualified company shall provide to the corporation and the department any
20 information and documentation requested for the purpose of monitoring the credit
21 established by this section.

22 (7) The approved company shall maintain records and submit information as required
23 by the corporation and the department. The corporation may share information
24 provided by the approved company with the department for the purpose of
25 monitoring the credit established by this section.

26 (8) The corporation may, through the promulgation of administrative regulations in
27 accordance with KRS Chapter 13A, establish additional standards or requirements

1 for the administration of this section.

2 (9) The credit established by this section shall expire on April 15, 2037~~[2027]~~, unless
3 extended by the General Assembly.

4 ➔Section 11. KRS 148.851 is amended to read as follows:

5 As used in 148.851 to 148.860, unless the context clearly indicates otherwise:

- 6 (1) "Agreement" means the tourism development agreement entered into between the
7 authority and an approved company;
- 8 (2) "Approved company" means any eligible company that has received final approval
9 to receive incentives provided under KRS 148.853;
- 10 (3) "Approved costs" means the amount of eligible costs approved by the authority
11 upon completion of the project;
- 12 (4) "Authority" means the Kentucky Tourism Development Finance Authority as set
13 forth in KRS 148.850;
- 14 (5) "Cabinet" means the Tourism, Arts and Heritage Cabinet;
- 15 (6) "Crafts and products center" means a facility primarily devoted to the display,
16 promotion, and sale of Kentucky products, and at which a minimum of eighty
17 percent (80%) of the sales occurring at the facility are of Kentucky arts, crafts, or
18 agricultural products;
- 19 (7) "Eligible company" means any corporation, limited liability company, partnership,
20 limited partnership, sole proprietorship, business trust, or any other entity operating
21 or intending to operate a tourism development project;
- 22 (8) "Eligible costs" means:
- 23 (a) Obligations incurred for labor and amounts paid to vendors, contractors,
24 subcontractors, builders, suppliers, deliverymen, and materialmen in
25 connection with the acquisition, construction, equipping, and installation of a
26 tourism development project;
- 27 (b) The costs of acquiring real property or rights include the acquisition of real

- 1 property by a leasehold interest with a minimum term of ten (10) years, and
2 any costs incidental thereto;
- 3 (c) The cost of contract bonds and of insurance of all kinds that may be required
4 or necessary during the course of the acquisition, construction, equipping, and
5 installation of a tourism development project which is not paid by the vendor,
6 supplier, deliveryman, contractor, or otherwise provided;
- 7 (d) All costs of architectural and engineering services, including but not limited to
8 estimates, plans and specifications, preliminary investigations, and
9 supervision of construction and installation, as well as for the performance of
10 all the duties required by or consequent to the acquisition, construction,
11 equipping, and installation of a tourism development project;
- 12 (e) All costs required to be paid under the terms of any contract for the
13 acquisition, construction, equipping, and installation of a tourism
14 development project;
- 15 (f) All costs required for the installation of utilities, including but not limited to
16 water, sewer, sewer treatment, gas, electricity and communications, and
17 including off-site construction of the facilities paid for by the approved
18 company; and
- 19 (g) All other costs comparable with those described in this subsection, excluding
20 costs subject to refund under KRS 154.20-202, 154.20-204, 154.20-206,
21 154.20-208, and 154.20-210 or Subchapter 31 of KRS Chapter 154;
- 22 (9) "Enhanced incentive county" has the same meaning as in KRS 154.32-010;
- 23 (10) "Entertainment destination center project" means a facility that meets the
24 requirements of KRS 148.853(2)(b);
- 25 (11) "Final approval" means the action taken by the authority authorizing the eligible
26 company to receive incentives under KRS 139.536 and 148.851 to 148.860;
- 27 (12) "Full-service lodging facility" means a facility that provides overnight sleeping

1 accommodations, including private bathrooms and all of the following:

2 (a) On-site dining facilities;

3 (b) Room service;

4 (c) Catering; and

5 (d) Meeting space;

6 (13) "Incentives" means the Kentucky sales tax refund as prescribed in KRS 139.536;

7 (14) "Kentucky sales tax" means the sales tax imposed by KRS 139.200;

8 (15) "Lodging facility project" means a full-service lodging facility that:

9 (a) 1. Is located on recreational property owned or leased by the
10 Commonwealth or the federal government;

11 2.~~1(b)~~ Involves the restoration or rehabilitation of a structure that:
12 a.~~1.~~ Is listed individually on the National Register of Historic Places;
13 or

14 b.~~2.~~ Is located in the National Register Historic District; and
15 is certified by the Kentucky Heritage Council as contributing to the
16 historic significance of the district, and the rehabilitation or restoration
17 of the structure has been approved in advance by the Kentucky Heritage
18 Council;

19 3.~~1(c)~~ Is an integral part of a major convention or sports facility;

20 4.~~1(d)~~ Is located:

21 a.~~1.~~ Within a fifty (50) mile radius of a property listed on the National
22 Register of Historic Places with a current function of recreation
23 and culture; and

24 b.~~2.~~ In any of the one hundred (100) least-populated counties in the
25 Commonwealth, in terms of population density, according to the
26 most recent census;

27 5.~~1(e)~~ Is located on property:

1 a.~~[1.]~~ Owned by the Commonwealth, or leased by the Commonwealth
 2 from the federal government;

3 b.~~[2.]~~ Acquired for use in the state park system pursuant to KRS
 4 148.028; and

5 c.~~[3.]~~ Operated by the Kentucky Department of Parks pursuant to KRS
 6 148.021 or the Kentucky Horse Park Commission pursuant to
 7 KRS 148.258 to 148.320;

8 6.~~[(f)]~~ Is located on property:

9 a.~~[1.]~~ Owned or leased by the federal government and under the control
 10 of the Department of the Interior; or

11 b.~~[2.]~~ Owned by the Commonwealth and in the custody of the State Fair
 12 Board as provided in KRS 247.140;

13 7.~~[(g)]~~ Is part of a tourism attraction project, entertainment destination
 14 center project, or theme restaurant destination attraction project and the
 15 full-service lodging facility represents less than fifty percent (50%) of
 16 the total eligible costs; or

17 8.~~[(h)]~~ Has not less than five hundred (500) guest rooms; or~~[:]~~

18 **(b) 1. Is located:**

19 a. In any of the one hundred (100) least-populated counties in the
 20 Commonwealth, in terms of population density, according to the
 21 most recent decennial census;

22 b. In a county, the boundaries of which:

23 i. Include, in part, the boundaries of a designated national
 24 forest; or

25 ii. Are adjacent to or include a portion of parallel reservoirs
 26 of water surrounding a national recreation area;

27 c. Within an enhanced incentive county and will create at least fifty

- 1 (50) new full-time jobs within that county; and
- 2 d. Within one-half (1/2) mile of a state resort park;
- 3 2. Has a capital investment of at least one hundred million dollars
- 4 (\$100,000,000); and
- 5 3. Contains accommodations for:
- 6 a. Lodging, with a minimum of one hundred (100) guest rooms,
- 7 cabins, or rental units;
- 8 b. Relaxation, including a spa;
- 9 c. More than one (1) on-site dining facility; and
- 10 d. More than one (1) meeting or event space;
- 11 (16) "Net positive fiscal impact" means the amount by which increased state tax
- 12 revenues will exceed the incentives given;
- 13 (17) "Preliminary approval" means the action taken by the authority conditionally
- 14 approving an eligible company for the incentives under KRS 139.536 and 148.851
- 15 to 148.860;
- 16 (18) "Recreational facility" means a structure or outdoor area that:
- 17 (a) Provides visitors recreational opportunities, including but not limited to
- 18 amusement parks, boating, hiking, horseback riding, hunting, fishing,
- 19 camping, wildlife viewing, live theater, rock climbing, and all-terrain vehicle
- 20 trails; and
- 21 (b) Serves as a likely destination where individuals who are not residents of the
- 22 Commonwealth would remain overnight in commercial lodging at or near the
- 23 recreational facility;
- 24 (19) "Theme restaurant destination attraction project" means a restaurant facility that
- 25 meets the requirements for incentives under KRS 148.853(2)(c);
- 26 (20) (a) "Tourism attraction project" means:
- 27 1. A cultural or historical site;

- 1 2. A recreational facility;
- 2 3. An entertainment facility;
- 3 4. An area of natural phenomenon or scenic beauty; or
- 4 5. A Kentucky crafts and products center;
- 5 (b) "Tourism attraction project" does not include facilities that are primarily
- 6 devoted to the retail sale of goods, other than a Kentucky crafts and products
- 7 center, or a tourism attraction where the sale of goods is a secondary and
- 8 subordinate component of the attraction; and

9 (21) "Tourism development project" means:

- 10 (a) A tourism attraction project;
- 11 (b) A theme restaurant destination attraction project;
- 12 (c) An entertainment destination center project; or
- 13 (d) A lodging facility project.

14 ➔Section 12. KRS 148.853 is amended to read as follows:

15 (1) The General Assembly finds and declares that:

- 16 (a) The general welfare and material well-being of the citizens of the
- 17 Commonwealth depend in large measure upon the development of tourism in
- 18 the Commonwealth;
- 19 (b) It is in the best interest of the Commonwealth to provide incentives for the
- 20 creation of new tourism attractions and the expansion of existing tourism
- 21 attractions within the Commonwealth in order to advance the public purposes
- 22 of relieving unemployment by preserving and creating jobs that would not
- 23 exist if not for the incentives offered by the authority to approved companies,
- 24 and by preserving and creating sources of tax revenues for the support of
- 25 public services provided by the Commonwealth;
- 26 (c) The authorities granted by KRS 148.851 to 148.860 are proper governmental
- 27 and public purposes for which public moneys may be expended; and

1 (d) That the creation or expansion of tourism development projects is of
2 paramount importance mandating that the provisions of KRS 139.536 and
3 KRS 148.851 to 148.860 be liberally construed and applied in order to
4 advance public purposes.

5 (2) To qualify for incentives provided in KRS 139.536 and 148.851 to 148.860, the
6 following requirements shall be met:

7 (a) For a tourism attraction project:

- 8 1. The total eligible costs shall exceed one million dollars (\$1,000,000),
9 except for a tourism attraction project located in a county designated as
10 an enhanced incentive county at the time the eligible company becomes
11 an approved company as provided in KRS 148.857(6), the total eligible
12 costs shall exceed five hundred thousand dollars (\$500,000);
- 13 2. In any year, including the first year of operation, the tourism attraction
14 project shall be open to the public at least one hundred (100) days; and
- 15 3. In any year following the third year of operation, the tourism attraction
16 project shall attract at least twenty-five percent (25%) of its visitors
17 from among persons who are not residents of the Commonwealth;

18 (b) For an entertainment destination center project:

- 19 1. The total eligible costs shall exceed five million dollars (\$5,000,000);
- 20 2. The facility shall contain a minimum of two hundred thousand
21 (200,000) square feet of building space adjacent or complementary to an
22 existing tourism attraction project or a major convention facility;
- 23 3. The incentives shall be dedicated to a public infrastructure purpose that
24 shall relate to the entertainment destination center project;
- 25 4. In any year, including the first year of operation, the entertainment
26 destination center project shall:
 - 27 a. Be open to the public at least one hundred (100) days per year;

- 1 b. Maintain at least one (1) major theme restaurant and at least three
- 2 (3) additional entertainment venues, including but not limited to
- 3 live entertainment, multiplex theaters, large-format theater, motion
- 4 simulators, family entertainment centers, concert halls, virtual
- 5 reality or other interactive games, museums, exhibitions, or other
- 6 cultural and leisure-time activities; and
- 7 c. Maintain a minimum occupancy of sixty percent (60%) of the total
- 8 gross area available for lease with entertainment and food and
- 9 drink options not including the retail sale of tangible personal
- 10 property; and
- 11 5. In any year following the third year of operation, the entertainment
- 12 destination center project shall attract at least twenty-five percent (25%)
- 13 of its visitors from among persons who are not residents of the
- 14 Commonwealth;
- 15 (c) For a theme restaurant destination attraction project:
- 16 1. The total eligible costs shall exceed five million dollars (\$5,000,000);
- 17 2. In any year, including the first year of operation, the attraction shall:
- 18 a. Be open to the public at least three hundred (300) days per year
- 19 and for at least eight (8) hours per day; and
- 20 b. Generate no more than fifty percent (50%) of its revenue through
- 21 the sale of alcoholic beverages;
- 22 3. In any year following the third year of operation, the theme restaurant
- 23 destination attraction project shall attract a minimum of fifty percent
- 24 (50%) of its visitors from among persons who are not residents of the
- 25 Commonwealth; and
- 26 4. The theme restaurant destination attraction project shall:
- 27 a. At the time of final approval, offer a unique dining experience that

- 1 is not available in the Commonwealth within a one hundred (100)
2 mile radius of the attraction;
- 3 b. In any year, including the first year of operation, maintain seating
4 capacity of four hundred fifty (450) guests and offer live music or
5 live musical and theatrical entertainment during the peak business
6 hours that the facility is in operation and open to the public; or
- 7 c. Within three (3) years of the completion date, the attraction shall
8 obtain a top two (2) tier rating by a nationally accredited service
9 and shall maintain a top two (2) tier rating through the term of the
10 agreement;
- 11 (d) For a lodging facility project *defined in subsection (15)(a) of Section 11 of*
12 *this Act:*
- 13 1. a. The eligible costs shall exceed five million dollars (\$5,000,000)
14 unless the provisions of subdivision b. of this subparagraph apply.
- 15 b. i. If the lodging facility is an integral part of a major
16 convention or sports facility, the eligible costs shall exceed
17 six million dollars (\$6,000,000); and
- 18 ii. If the lodging facility includes five hundred (500) or more
19 guest rooms, the eligible costs shall exceed ten million
20 dollars (\$10,000,000); and
- 21 2. In any year, including the first year of operation, the lodging facility
22 shall:
- 23 a. Be open to the public at least one hundred (100) days; and
24 b. Attract at least twenty-five percent (25%) of its visitors from
25 among persons who are not residents of the Commonwealth;
- 26 (e) *For a lodging facility project defined in subsection (15)(b) of Section 11 of*
27 *this Act:*

1 1. The eligible costs shall exceed one hundred million dollars
 2 (\$100,000,000); and

3 2. The lodging facility shall:

4 a. Be open to the public at least one hundred (100) days each year,
 5 including the first year of operation; and

6 b. In any year following the third year of operation, attract a
 7 minimum of twenty-five percent (25%) of its overnight visitors
 8 from among persons who are not residents of the
 9 Commonwealth.

10 (f) Any tourism development project shall not be eligible for incentives if it
 11 includes material determined to be lewd, offensive, or deemed to have a
 12 negative impact on the tourism industry in the Commonwealth; and

13 (g)~~[(f)]~~ An expansion of any tourism development project shall in all cases be
 14 treated as a new stand-alone project.

15 (3) (a) The incentives offered to an approved company under the Kentucky Tourism
 16 Development Act may include~~[shall be as follows:~~

17 ~~(a) An approved company may be granted]~~ a sales tax incentive based on
 18 the Kentucky sales tax imposed on sales generated by or arising at the
 19 tourism development project.~~[-; and]~~

20 (b) 1. For a tourism development project other than a lodging facility project
 21 described in subparagraph 4. or 5. of this paragraph~~[KRS~~
 22 ~~148.851(14)(e) or (f), or a tourism attraction project described in~~
 23 ~~subparagraph 2. of this paragraph]~~:

24 a. A sales tax incentive shall be allowed to an approved company
 25 over a period of ten (10) years, except as provided in
 26 subparagraphs 7.~~[5.]~~ and 8.~~[6.]~~ of this paragraph; and

27 b. The sales tax incentive shall not exceed the lesser of the total

1 amount of the sales tax liability of the approved company and its
2 lessees or a percentage of the approved costs as specified by the
3 agreement, not to exceed twenty-five percent (25%);

4 2. For projects approved according to the application period established
5 under KRS 148.8531, a tourism attraction project located in an
6 enhanced incentive county at the time the eligible company becomes an
7 approved company as provided in KRS 148.857(6):

8 a. A sales tax incentive shall be allowed to the approved company
9 over a period of ten (10) years; and

10 b. The sales tax incentive shall not exceed the lesser of the total
11 amount of the sales tax liability of the approved company and its
12 lessees or a percentage of the approved costs as specified by the
13 agreement, not to exceed thirty percent (30%);

14 3. For applications considered after the effective date of this Act,
15 including projects related to property to which the title passed from a
16 seller to a buyer on or after March 1, 2025, a tourism attraction
17 project located in an enhanced incentive county with a population
18 equal to or less than twenty thousand (20,000) based on the most
19 recent decennial census at the time the eligible company becomes an
20 approved company as provided in KRS 148.857(6):

21 a. A sales tax incentive shall be allowed to the approved company
22 over a period of twenty (20) years; and

23 b. The sales tax incentive shall not exceed the lesser of the total
24 amount of the sales tax liability of the approved company and its
25 lessees or a percentage of the approved costs as specified by the
26 agreement, not to exceed fifty percent (50%);

27 4. For a lodging facility project described in subsection (15)(a)5. or 6. of

1 **Section 11 of this Act**~~[KRS 148.851(14)(e) or (f)]~~:

- 2 a. A sales tax incentive shall be allowed to the approved company
3 over a period of twenty (20) years; and
4 b. The sales tax incentive shall not exceed the lesser of total amount
5 of the sales tax liability of the approved company and its lessees or
6 a percentage of the approved costs as specified by the agreement,
7 not to exceed fifty percent (50%);

8 **5. For a lodging facility project described in subsection (15)(b) of Section**
9 **11 of this Act, a sales tax incentive that shall:**

- 10 **a. Be allowed to the approved company over a period of twenty (20)**
11 **years; and**
12 **b. Not exceed the lesser of the total amount of sales tax liability of**
13 **the approved company and its lessees or a percentage of the**
14 **approved costs as specified by the agreement, not to exceed fifty**
15 **percent (50%);**

16 ~~6.~~~~[4.]~~ Any unused incentives from a previous year may be carried forward to
17 any succeeding year during the term of the agreement until the entire
18 specified percentage of the approved costs has been received through
19 sales tax incentives;

20 ~~7.~~~~[5.]~~ If the approved company is an entertainment destination center that has
21 dedicated at least thirty million dollars (\$30,000,000) of the incentives
22 provided under the agreement to a public infrastructure purpose, the
23 agreement may be amended to extend the term of the agreement up to
24 two (2) additional years if the approved company agrees to:

- 25 a. Reinvest in the original entertainment destination project one
26 hundred percent (100%) of any incentives received during the
27 extension that were outstanding at the end of the original term of

1 the agreement; and

- 2 b. Report to the authority at the end of each fiscal year the amount of
3 incentives received during the extension and how the incentives
4 were reinvested in the original entertainment destination project;
5 and

6 ~~8.16.~~ The term of a tourism development agreement entered into with a
7 tourism attraction project that was in effect on January 1, 2020, shall be
8 extended for one (1) year if the tourism attraction project:

- 9 a. Has historically been open to the public on a seasonal basis
10 consisting of less than six (6) months;
- 11 b. Has previously met the requirement of being open to the public at
12 least one hundred (100) days during the entire term of the tourism
13 development agreement as required under subsection (2)(a)2. of
14 this section;
- 15 c. Failed to be open to the public at least one hundred (100) days
16 during the calendar year 2020 solely as a result of complying with
17 one (1) or more executive orders issued by the Governor under the
18 authority of KRS 39A.090 that prevented the tourism attraction
19 project from being open to the public for at least one hundred
20 (100) days during its normal operating season; and
- 21 d. Applied for a sales tax incentive related to the calendar year 2020
22 operating season and was denied the sales tax incentive solely on
23 the basis that the tourism attraction project was not open to the
24 public for at least one hundred (100) days in calendar year 2020.

25 ➔ Section 13. KRS 148.855 is amended to read as follows:

- 26 (1) The cabinet shall promulgate administrative regulations in accordance with KRS
27 Chapter 13A to establish standards for the making of applications for incentives and

1 the recommendation of eligible companies and their tourism development projects
2 to the authority.

3 (2) The cabinet shall consult with the authority when establishing standards to ensure
4 that standards established pursuant to subsection (1) of this section and KRS
5 148.857(1) do not conflict.

6 (3) (a) The application for incentives shall be filed with the cabinet and shall include:

- 7 1. The name of the applicant;
- 8 2. Marketing plans for the tourism development project that target
9 individuals who are not residents of the Commonwealth;
- 10 3. A description and location of the tourism development project;
- 11 4. Capital and other anticipated expenditures for the tourism development
12 project that indicate that the total cost of the project shall exceed the
13 minimum required costs as provided in KRS 148.853, and the
14 anticipated sources of funding therefor;
- 15 5. The anticipated employment and wages to be paid at the tourism
16 development project;
- 17 6. Business plans which indicate the average number of days in a year in
18 which the tourism development project will be in operation and open to
19 the public;
- 20 7. The anticipated revenues and expenses generated by the tourism
21 development project;
- 22 8. If the tourism development project is an entertainment destination center
23 project, the application shall include the public infrastructure purpose;
24 and
- 25 9. Any other information as required by the cabinet.

26 (b) Based upon a review of these materials, if the cabinet determines that the
27 eligible company and the proposed tourism development project appears to

1 meet the requirements established by KRS 148.853, and that the proposed
2 tourism development project may reasonably satisfy the criteria for final
3 approval in subsection (4) of this section, the secretary of the cabinet may
4 submit a written request to the authority for a preliminary approval of the
5 eligible company and the tourism development project.

6 (4) The authority may review the request submitted by the secretary, including all
7 relevant materials, and may, based upon that review, grant preliminary approval to
8 an eligible company. Upon a preliminary approval by the authority, the cabinet
9 shall engage the services of a competent consulting firm to analyze the data made
10 available by the eligible company and to collect and analyze additional information
11 necessary to determine that, in the independent judgment of the consultant, the
12 proposed tourism development project:

13 (a) Will attract, in all years following the third year of operation, at least twenty-
14 five percent (25%) of its visitors from among persons who are not residents of
15 the Commonwealth, except for a theme restaurant destination attraction
16 project, which shall attract, in all years following the third year of operation, a
17 minimum of fifty percent (50%) of its visitors from among persons who are
18 not residents of the Commonwealth;

19 (b) Will have costs in excess of the minimum amount required by KRS 148.853;

20 (c) 1. Will have a net positive fiscal impact on the Commonwealth
21 considering, among other factors, the extent to which the proposed
22 tourism development project will compete directly with existing tourism
23 attractions or previously approved tourism development projects in the
24 Commonwealth and the amount by which increased tax revenues from
25 the tourism development project will exceed the incentives given to the
26 approved company at the maximum level of recovery of approved costs
27 as provided in KRS 148.853; or

- 1 2. If the independent consultant determines that the proposed tourism
2 development project cannot produce a net positive fiscal impact to the
3 Commonwealth at the maximum level of recovery of approved costs as
4 provided in KRS 148.853, the independent consultant shall determine
5 the level of recovery, if any, at which the proposed tourism development
6 project can meet those standards;
- 7 (d) Will produce sufficient revenues and public demand to be operating and open
8 to the public for a minimum of one hundred (100) days per year, except for a
9 theme restaurant destination attraction, which shall be operating and open to
10 the public for a minimum of three hundred (300) days per year;
- 11 (e) Will not adversely affect existing employment in the Commonwealth;~~and~~
- 12 (f) Meets all other requirements of KRS 148.851 and 148.853;and
- 13 (g) For a lodging facility project defined in subsection (15)(b) of Section 11 of
14 this Act:
- 15 1. Will have an occupancy study conducted by an independent consultant
16 to determine the percentage of rooms occupied by other lodging
17 facilities:
- 18 a. With comparable accommodations as described in subsection
19 (15)(b)3. of Section 11 of this Act; and
- 20 b. Within a fifty (50) mile radius of the proposed lodging facility
21 project;
- 22 for the most recent calendar year for data collected; and
- 23 2. Will have a net positive impact statement that will exclude from
24 consideration any impact related to state-funded infrastructure that
25 was approved prior to the application of the eligible company.
- 26 (5) The independent consultant, in determining the amount of net positive fiscal impact
27 to the Commonwealth for a new proposed tourism development project that is an

1 expansion of an existing tourism development project shall not consider positive
2 fiscal impacts from the following sources:

- 3 (a) Increased operations at the previously approved tourism development project
4 that is being expanded by the proposed tourism development project;
5 (b) Increased operations at any other tourism development project approved for
6 incentives provided under KRS 148.853; or
7 (c) Increased operations at any project approved for tax increment financing that
8 includes state revenues approved pursuant to Subchapter 30 of KRS Chapter
9 154.

10 (6) (a) The independent consultant shall consult with the authority, the Office of the
11 State Budget Director and the Finance and Administration Cabinet in the
12 development of a report on the proposed tourism development project.

13 (b) The Office of the State Budget Director and the Finance and Administration
14 Cabinet shall agree as to the methodology to be used and assumptions to be
15 made by the independent consultant in preparing its report.

16 (c) On the basis of the independent consultant's report and prior to any final
17 approval of a project by the authority, the Office of the State Budget Director
18 and the Finance and Administration Cabinet shall certify to the authority
19 whether there is a projected net positive fiscal impact to the Commonwealth
20 and the expected amount of incremental state revenues from the tourism
21 development project. A final approval shall not be granted if it is determined
22 that there is no projected net positive fiscal impact to the Commonwealth.

23 (7) The eligible company shall pay for the cost of the consultant's report and shall
24 cooperate with the consultant and provide all of the data that the consultant deems
25 necessary to make its determination under subsection (4) of this section.

26 (8) In lieu of the independent consultant analysis required in subsection (4) of this
27 section, if the eligible company is exempt from income tax under Section 501(c)(3)

1 of the Internal Revenue Code and the estimated approved costs are less than ten
2 million dollars (\$10,000,000), the cabinet shall have the option of performing an
3 interagency review to analyze the data made available by the eligible company and
4 to collect and analyze additional information necessary to determine that the
5 proposed tourism development project meets the requirements set forth in
6 subsection (4)(a) of this section. The cabinet shall comply with the same consulting
7 and reporting requirements as an independent consultant.

8 (9) After a review of relevant materials, the consultant's report, and completion of other
9 inquiries, the secretary shall, by written notification to the authority, provide a
10 recommendation to the authority regarding final approval of the tourism
11 development project.

12 ➔Section 14. KRS 148.859 is amended to read as follows:

13 (1) The authority, upon adoption of its final approval, may enter into a tourism
14 development agreement with any approved company. The terms of the agreement
15 shall be negotiated between the authority and the approved company and shall
16 include but not be limited to:

- 17 (a) The amount of approved costs;
- 18 (b) That any increase in approved costs incurred by the approved company and
19 agreed to by the authority shall apply retroactively for purposes of calculating
20 the carry forward for unused incentives;
- 21 (c) A date certain by which the approved company shall have completed the
22 tourism development project;
- 23 (d) That the authority may grant an extension or change, which in no event shall
24 exceed three (3) years from the date of final approval, to the completion date
25 as specified in the agreement of an approved company;
- 26 (e) That within three (3) months of the completion date, the approved company
27 shall document the actual cost of the tourism development project through a

1 certification of the costs to be provided by an independent certified public
2 accountant acceptable to the authority;

3 (f) The term of the tourism development agreement and the maximum amount of
4 recovery;

5 (g) That within forty-five (45) days after the end of each fiscal year of the
6 approved company, during the term of the agreement, the approved company
7 shall supply the authority with reports and certifications as the authority may
8 request demonstrating to the satisfaction of the authority that the approved
9 company is in compliance with the provisions of KRS 139.536 and KRS
10 148.851 to 148.860;

11 (h) That the approved company shall notify the authority if any change in
12 ownership of the tourism attraction is contemplated. The authority shall
13 reserve the option to renegotiate the terms of the agreement or, if the change
14 in ownership is detrimental to the Commonwealth, the authority may
15 terminate the agreement;

16 (i) That the approved company shall not receive a sales tax incentive as
17 prescribed by KRS 139.536 with respect to any fiscal year if the requirements
18 of KRS 148.853(2) have not been met;

19 (j) That the authority may grant an extension of up to three (3) years to the
20 completion date in addition to the extension provided for in paragraph (d) of
21 this subsection, to an approved company that has completed at least fifty
22 percent (50%) of an entertainment destination center project;

23 (k) That in no event shall the completion date be more than six (6) years from the
24 date of final approval; and

25 (l) That the extension provided for in paragraph (j) of this subsection shall be
26 subject to the following conditions:

27 1. The approved company shall have spent or have contractually obligated

1 to spend an amount equal to or greater than the amount of approved
2 costs set forth in the initial agreement;

3 2. The term of the agreement shall not be extended, except as provided in
4 KRS 148.853(3)(b)7. and 8.~~[4.]~~; and

5 3. The scope of the entertainment destination center project, as set forth in
6 the initial agreement, shall not be altered to include new or additional
7 entertainment and leisure options.

8 (2) The agreement, including the incentives provided under KRS 148.853, shall not be
9 transferable or assignable by the approved company without the written consent of
10 the authority and a passage of a resolution approving the proposed assignee of the
11 incentives as an approved company.

12 ➔Section 15. KRS 154.30-050 is amended to read as follows:

13 (1) The Signature Project Program is hereby established. The purpose of this program
14 is to encourage private investment in the development of major projects that will
15 have a significant impact on the Commonwealth of Kentucky and are judged to be
16 of such a magnitude that the effect upon the location of ~~the~~~~[such]~~ project warrants
17 extraordinary public support.

18 (2) (a) There shall be two (2) separate initiatives under this program. The first
19 initiative, the criteria and details of which are set forth in subsection (3)(a) of
20 this section~~[paragraph (a) of this subsection]~~, shall apply to:

21 1. Qualifying projects that are not the subject of a contract under KRS
22 65.495 in effect on or before the March 23, 2007, but that have a project
23 grant agreement executed pursuant to KRS 154.30-070 prior to January
24 1, 2008; or

25 2. Revised projects if the original project began prior to March 23, 2007,
26 and had a project grant agreement executed pursuant to KRS 154.30-
27 070 prior to January 1, 2008, but the agreement was withdrawn

1 *voluntarily before the project was completed.*

2 (b) The second initiative, the criteria and details of which are set forth in
3 subsection (3)(b) of this section~~[paragraph (b) of this subsection]~~, shall apply
4 to projects that meet the specified requirements on or after January 1, 2008.

5 (3) (a) ~~[For projects that are not the subject of a contract under KRS 65.495 in effect~~
6 ~~on or before March 23, 2007, but that have a project grant agreement executed~~
7 ~~pursuant to the provisions of KRS 154.30-070 prior to January 1, 2008:]~~

8 1. The criteria for qualification shall be as follows:

9 a. The project shall represent new economic activity in the
10 Commonwealth; and

11 b. The project shall result in a minimum capital investment of two
12 hundred million dollars (\$200,000,000).

13 2. The following provisions shall apply to projects that meet the criteria
14 established in subparagraph 1. of this paragraph:

15 a. KRS 65.7051 shall not apply to the establishment of a
16 development area;

17 b. The city or county in which the project is located shall adopt an
18 ordinance establishing the development area. The ordinance shall
19 be adopted in accordance with KRS 65.7053(1)(a), (b), (c), (d),
20 (e), (h), (i), (j), (k), (l), and (m);

21 c. KRS 65.7049, 65.7053(2) and (3), 65.7057, 65.7059, 65.7061,
22 65.7063, 65.7065, and 65.7067, relating to local development
23 areas, shall apply;

24 d. An application for state participation shall have been submitted as
25 provided in KRS 154.30-030. The application shall include the
26 information required by KRS 154.30-030(2)(a) 1.a. and b.;

27 e. The report provided for in KRS 154.30-030(2)(a) 3.b. shall not be

1 required, and the certification required by KRS 154.30-030(6)(b)
2 shall not be required;

3 f. A project grant agreement shall be executed in accordance with
4 KRS 154.30-070; and

5 g. KRS 154.30-080 and 154.30-090 shall apply.

6 3. Projects that meet the criteria established in subparagraph 1. of this
7 paragraph shall be eligible for the following:

8 a. Up to one hundred percent (100%) of approved public
9 infrastructure costs, excluding any sales and use tax paid, may be
10 recovered;

11 b. Up to one hundred percent (100%) of the financing costs
12 associated with approved public infrastructure costs may be
13 recovered;

14 c. In a county containing a city of the first class, the local
15 participation agreement may provide for the release of up to eighty
16 percent (80%) of the increment from the tax levied under KRS
17 91A.390 derived by the governing body within the project
18 development area. The amount released shall not exceed a base
19 amount of four hundred thousand dollars (\$400,000) in the first
20 year of the local participation agreement, which base amount shall
21 be increased in each subsequent year of the grant agreement by
22 four percent (4%); and

23 d. Up to one hundred percent (100%) of approved signature project
24 costs, excluding any sales and use taxes paid, subject to the
25 following:

26 i. The authority shall review proposed ~~{ }~~expenditures for ~~{ }~~
27 ~~_____~~inclusion in the tax incentive ~~{ }~~agreement. The

1 authority may approve the type ~~of~~ expenditures it
2 determines are ~~of~~ necessary for completion of the private
3 development; and

4 ii. Approved signature project costs shall be detailed in the tax
5 incentive agreement.

6 (b) Beginning January 1, 2008:

7 1. A project shall meet all of the following criteria to be considered for
8 state participation under this program:

9 a. The project shall represent new economic activity in the
10 Commonwealth;

11 b. The project shall result in a minimum capital investment of two
12 hundred million dollars (\$200,000,000);

13 c. The project shall result in a net positive economic impact to the
14 Commonwealth, taking into consideration any substantial adverse
15 impact on existing Commonwealth businesses. The net positive
16 impact shall be certified to the commission as required by KRS
17 154.30-030(6)(b); and

18 d. Not more than twenty percent (20%) of the capital investment or
19 twenty percent (20%) of the finished square footage shall be
20 devoted to the support or development of assets that will be
21 utilized for the retail sale of tangible personal property.

22 2. Projects that meet the criteria established by subparagraph 1. of this
23 paragraph shall comply with all relevant provisions of this subchapter.

24 3. Projects that meet the criteria established by subparagraphs 1. and 2. of
25 this paragraph shall be eligible to recover:

26 a. Up to one hundred percent (100%) of approved public
27 infrastructure costs, excluding any sales and use taxes paid;

- 1 b. Up to one hundred percent (100%) of the financing costs
2 associated with approved public infrastructure costs; and
- 3 c. Up to one hundred percent (100%) of approved signature project
4 costs, excluding sales and use taxes paid subject to the following:
- 5 i. The authority shall review proposed expenditures for
6 inclusion in the tax incentive agreement. The authority may
7 approve the type of expenditures it determines are necessary
8 for completion of the private development; and
- 9 ii. Approved signature project costs shall be detailed in the tax
10 incentive agreement.
- 11 ~~(4)~~~~(3)~~ The authority shall review the application, the certification required by KRS
12 154.30-030, if applicable, and supporting information as provided in KRS 154.30-
13 030.
- 14 ~~(5)~~~~(4)~~ The authority shall specifically identify the state taxes from which
15 incremental revenues will be pledged. The authority may pledge up to eighty
16 percent (80%) of the incremental revenues from the identified state tax revenues
17 from the footprint, provided that the maximum amount of incremental revenues that
18 may be pledged for a project during the term of the tax incentive agreement from all
19 approved state taxes shall not exceed one hundred percent (100%) of approved
20 public infrastructure costs, approved signature project costs, and financing costs.
- 21 ~~(6)~~~~(5)~~ As part of the approval process, the authority shall determine the following:
- 22 (a) The footprint of the project;
- 23 (b) The maximum amount of approved public infrastructure costs, approved
24 signature project costs, and financing costs;
- 25 (c) That the local revenues pledged to support the public infrastructure of the
26 project, and local revenues pledged to support the overall project are of a
27 sufficient amount to warrant participation of the Commonwealth in the

1 project;

2 (d) The termination date of the tax incentive agreement, not to exceed thirty (30)
3 years from the activation date;

4 (e) Any adjustments to be made to old revenues, in determining incremental
5 revenues during each year of the term of the project grant agreement; and

6 (f) Any approved signature project costs;

7 ~~(7)(6)~~ For the purpose of making the determination required by KRS 139.515(2), the
8 authority shall review the projected expenditures for tangible personal property
9 used in the construction of a signature project, as defined in KRS 139.515(1), and
10 shall establish an approximate percentage of the total anticipated expenditures that
11 are not included in the tax incentive agreement as approved public infrastructure
12 costs or approved signature project costs. This percentage shall be communicated
13 by the authority to the Department of Revenue, which shall use the information in
14 administering the sales tax refund permitted by KRS 139.515.

15 ~~(8)(7)~~ If state income taxes or local occupational license taxes are included for a
16 project that includes office space, the authority shall consider the impact of
17 pledging these taxes on the ability to utilize other economic development projects
18 at a later date.

19 ~~(9)(8)~~ The pledge of state incremental tax revenues of the Commonwealth by the
20 authority shall be implemented through the execution of a tax incentive agreement
21 between the Commonwealth and the agency, city, or county in accordance with
22 KRS 154.30-070.

23 ~~(10)(9)~~ Notwithstanding the minimum capital investment of two hundred million
24 dollars (\$200,000,000) required by subsection ~~(3)(2)~~(b)1.b. of this section, the
25 authority may, upon application of an agency that:

26 (a) Was approved to proceed with a project after January 1, 2008, but before
27 January 1, 2013, that, at the time of approval pledged to make the two

1 hundred million dollars (\$200,000,000) investment requirement; and
2 (b) Had a consultant report prepared pursuant to KRS 154.30-030(6);
3 approve a reduction in the required minimum capital investment to an amount not
4 less than one hundred fifty million dollars (\$150,000,000), subject to a
5 corresponding adjustment of the maximum incremental revenue available for
6 recovery as appropriate, based upon the recommendation of the consultant who
7 prepared the report pursuant to KRS 154.30-030(6).

8 **(11) Notwithstanding any statute to the contrary, if a project originally began prior to**
9 **March 23, 2007, and had a project grant agreement executed pursuant to KRS**
10 **154.30-070 prior to January 1, 2008, but the agreement was withdrawn**
11 **voluntarily before the project was completed, the project may be revised and**
12 **resubmitted under subsection (3)(a) of this section.**

13 ➔Section 16. KRS 91A.390 is amended to read as follows:

- 14 (1) (a) The commission shall annually submit to the local governing body or bodies
15 which established it a request for funds for the operation of the commission.
16 (b) The local governing body or bodies shall include the commission in the
17 annual budget and shall provide funds for the operation of the commission by
18 imposing a transient room tax on the rent for every occupancy of a suite,
19 room, rooms, cabins, lodgings, campsites, or other accommodations charged
20 by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds,
21 recreational vehicle parks, or any other place in which accommodations are
22 regularly furnished to transients for consideration or by any person that
23 facilitates the rental of the accommodations by brokering, coordinating, or in
24 any other way arranging for the rental of the accommodations as follows:
25 1. For a local governing body or bodies, other than an urban-county
26 government, the tax rate shall not exceed three percent (3%); and
27 2. For an urban-county government, the tax rate shall not exceed four

1 percent (4%).

2 (c) In addition to the three percent (3%) levy authorized by paragraph (b)1. of this
3 subsection, the local governing body other than an urban-county government
4 may impose a special transient room tax not to exceed one percent (1%) for
5 the purposes of:

- 6 1. Meeting the operating expenses of a convention center; and
7 2. In the case of a consolidated local government, financing the renovation
8 or expansion of a convention center that is government-owned and
9 located in the central business district of the consolidated local
10 government, except that if a consolidated local government imposes the
11 special transient room tax authorized under this paragraph on or after
12 August 1, 2014, revenue derived from the levy shall not be used to meet
13 the operating expenses of a convention center until any debt issued for
14 financing the renovation or expansion of a government-owned
15 convention center located in the central business district of the
16 consolidated local government is retired.

17 (d) Transient room taxes shall not apply to rooms, lodgings, campsites, or
18 accommodations supplied for a continuous period of thirty (30) days or more
19 to a person.

20 (e) The local governing body or bodies that have established a commission by
21 joint or separate action shall enact an ordinance for the enforcement of the tax
22 measure enacted pursuant to this section and the collection of the proceeds of
23 this tax measure on a monthly basis.

24 (2) All moneys collected pursuant to this section and KRS 91A.400 shall be maintained
25 in an account separate and unique from all other funds and revenues collected, and
26 shall be considered tax revenue for the purposes of KRS 68.100 and KRS 92.330.

27 (3) A portion of the money collected from the imposition of this tax, as determined by

- 1 the tax levying body, upon the advice and consent of the tourist and convention
2 commission, may be used to finance the cost of acquisition, construction, operation,
3 and maintenance of facilities useful in the attraction and promotion of tourist and
4 convention business, including projects described in KRS 154.30-050~~(3)(2)~~(a).
5 The balance of the money collected from the imposition of this tax shall be used for
6 the purposes set forth in KRS 91A.350. Proceeds of the tax shall not be used as a
7 subsidy in any form to any hotel, motel, inn, motor court, tourist camp, tourist
8 cabin, campgrounds, recreational vehicle parks, or any other person furnishing
9 accommodations, or restaurant, except as provided in KRS 154.30-
10 050~~(3)(2)~~(a)3.c. Money not expended by the commission during any fiscal year
11 shall be used to make up a part of the commission's budget for its next fiscal year.
- 12 (4) A county with a city of the first class may impose an additional tax, not to exceed
13 one and one-half percent (1.5%) of the rent. This additional tax, if approved by the
14 local governing body, shall be collected and administered in the same manner as the
15 tax authorized by subsection (1)(b) of this section and shall be used for the purpose
16 of funding additional promotion of tourist and convention business.
- 17 (5) An urban-county government may impose an additional tax, not to exceed one
18 percent (1%) of the rents included in this subsection. This additional tax shall be
19 collected and administered in the same manner as the tax authorized by subsection
20 (1)(b) of this section with the exception that this additional tax shall be used for the
21 purpose of funding the purchase of development rights program provided for under
22 KRS 67A.845.
- 23 (6) Local governing bodies which have formed multicounty tourist and convention
24 commissions as provided by KRS 91A.350(3) may impose an additional tax, not to
25 exceed one percent (1%) of the rents. This additional tax, if approved by each
26 governing body, shall be collected and administered in the same manner as the tax
27 authorized by subsection (1)(b) of this section, with the exception that this

1 additional tax shall be used for the purpose of funding regional efforts relating to
2 the promotion of tourist and convention business and convention centers. In no
3 event shall any revenues collected as provided for under KRS 91A.350(3) be
4 utilized for the construction, renovation, maintenance, or additions to any
5 convention center that is located outside the boundaries of the Commonwealth of
6 Kentucky.

7 (7) The commission, with the approval of the tax levying body, may borrow money to
8 pay its obligations that cannot be paid at maturity out of current revenue from the
9 transient room tax, but shall not borrow a sum greater than can be repaid out of the
10 revenue anticipated from the transient room tax during the year the money is
11 borrowed. The commission may pledge its securities for the repayment of any sum
12 borrowed.

13 (8) The fiscal court or legislative body of a consolidated local government or city
14 establishing a commission pursuant to KRS 91A.350(1) or (2) and, in its own name,
15 a commission established pursuant to of KRS 91A.350(1) is authorized and
16 empowered to issue revenue bonds pursuant to KRS Chapter 58 for public projects.
17 Bonds issued for the purposes of KRS 91A.345 to 91A.394, may be used to pay any
18 cost for the acquisition of real estate, the construction of buildings and
19 appurtenances, the preparation of plans and specifications, and legal and other
20 services incidental to the project or to the issuance of the bonds. The payment of the
21 bonds, with interest, may be secured by a pledge of and a first lien on all of the
22 receipts and revenue derived, or to be derived, from the rental or operation of the
23 property involved. Bond and interest obligations issued pursuant to this section
24 shall not constitute an indebtedness of the county, consolidated local government,
25 or city. All bonds sold under the authority of this section shall be subject to
26 competitive bidding as provided by law, and shall bear interest at a rate not to
27 exceed that established for bonds issued for public projects under KRS Chapter 58.

1 (9) A commission established pursuant to KRS 91A.350(3) is authorized and
2 empowered to issue revenue bonds in its own name, payable solely from its income
3 and revenue, pursuant to KRS Chapter 58 for revenue bonds for public projects.
4 Bonds issued for the purposes of KRS 91A.345 to 91A.394, may be used to pay any
5 cost for the acquisition of real estate, the construction of buildings and
6 appurtenances, the preparation of plans and specifications, and legal and other
7 services incidental to the project or to the issuance of the bonds. The payment of the
8 bonds, with interest, may be secured by a pledge of and a first lien on all of the
9 receipts and revenue derived, or to be derived, from the rental or operation of the
10 property involved. Bond and interest obligations issued pursuant to this section
11 shall not constitute an indebtedness of the county. All bonds sold pursuant to this
12 section shall be subject to competitive bidding as provided by law, and shall not
13 bear interest at rates exceeding those for bonds issued for public projects under
14 KRS Chapter 58.

15 ➔Section 17. KRS 154.30-010 is amended to read as follows:

16 As used in this subchapter:

17 (1) "Activation date" means:

18 (a) For all projects except those described in paragraph (b) of this subsection, the
19 date established any time within a two (2) year period after the
20 commencement date. The Commonwealth may extend the two (2) year period
21 to no more than four (4) years upon written application by the agency
22 requesting the extension; and

23 (b) For signature projects approved under KRS 154.30-050~~(3)~~~~(2)~~(a), the date
24 established any time within a ten (10) year period after the commencement
25 date.

26 For all projects established after July 14, 2018, the activation date is the date on
27 which the time period for the pledge of incremental revenues shall commence. To

1 implement the activation date, the minimum capital investment must be met and the
2 agency that is a party to the tax incentive agreement shall notify the office;

3 (2) "Agency" means:

- 4 (a) An urban renewal and community development agency established under
5 KRS Chapter 99;
6 (b) A development authority established under KRS Chapter 99;
7 (c) A nonprofit corporation;
8 (d) A housing authority established under KRS Chapter 80;
9 (e) An air board established under KRS 183.132 to 183.160;
10 (f) A local industrial development authority established under KRS 154.50-301
11 to 154.50-346;
12 (g) A riverport authority established under KRS 65.510 to 65.650; or
13 (h) A designated department, division, or office of a city or county;

14 (3) (a) "Approved public infrastructure costs" means costs associated with the
15 acquisition, installation, construction, or reconstruction of public works,
16 public improvements, and public buildings, including planning and design
17 costs associated with the development of ~~the~~^{such} public amenities.

18 (b) "Approved public infrastructure costs" includes but is not limited to costs
19 incurred for the following:

- 20 ~~1. (a)~~ Land preparation, including demolition and clearance work;
21 ~~2. (b)~~ Buildings;
22 ~~3. (c)~~ Sewers and storm drainage;
23 ~~4. (d)~~ Curbs, sidewalks, promenades, and pedways;
24 ~~5. (e)~~ Roads;
25 ~~6. (f)~~ Street lighting;
26 ~~7. (g)~~ The provision of utilities;
27 ~~8. (h)~~ Environmental remediation;

- ~~9. (i)~~ Floodwalls and floodgates;
~~10. (j)~~ Public spaces or parks;
~~11. (k)~~ Parking;
~~12. (l)~~ Easements and rights-of-way;
~~13. (m)~~ Transportation facilities;
~~14. (n)~~ Public landings;
~~15. (o)~~ Amenities, ***including*** ~~[such as]~~ fountains, benches, and sculptures;
 and
~~16. (p)~~ Riverbank modifications and improvements;
- (4) "Approved signature project costs" means:
- (a) The acquisition of land for portions of the project that are for infrastructure;
 and
- (b) Costs associated with the acquisition, installation, development, construction, improvement, or reconstruction of infrastructure, including planning and design costs associated with the development of infrastructure, including but not limited to parking structures, including portions of parking structures that serve as platforms to support development above;
- that have been determined by the commission to represent a unique challenge in the financing of a project such that the project could not be developed without incentives intended by this chapter to foster economic development;
- (5) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;
- (6) "Capital investment" means:
- (a) Obligations incurred for labor and to contractors, subcontractors, builders, and materialmen in connection with the acquisition, construction, installation, equipping, and rehabilitation of a project;
- (b) The cost of acquiring land or rights in land within the development area on the

- 1 footprint of the project, and any cost incident thereto, including recording
2 fees;
- 3 (c) The cost of contract bonds and of insurance of all kinds that may be required
4 or necessary during the course of acquisition, construction, installation,
5 equipping, and rehabilitation of a project which is not paid by the contractor
6 or contractors or otherwise provided;
- 7 (d) All costs of architectural and engineering services, including test borings,
8 surveys, estimates, plans, specifications, preliminary investigations,
9 supervision of construction, and the performance of all the duties required by
10 or consequent upon the acquisition, construction, installation, equipping, and
11 rehabilitation of a project;
- 12 (e) All costs that are required to be paid under the terms of any contract for the
13 acquisition, construction, installation, equipping, and rehabilitation of a
14 project; and
- 15 (f) All other costs of a nature comparable to those described in this subsection
16 that occur after preliminary approval;
- 17 (7) "City" means any city, consolidated local government, or urban-county
18 government;
- 19 (8) "Commencement date" means the final approval date or the date on which a tax
20 incentive agreement is executed;
- 21 (9) "Commonwealth" means the Commonwealth of Kentucky;
- 22 (10) "County" means any county, consolidated local government, charter county, unified
23 local government, or urban-county government;
- 24 (11) "CPI" means the nonseasonally adjusted Consumer Price Index for all urban
25 consumers, all items, base year computed for 1982 to 1984 equals one hundred
26 (100), published by the United States Department of Labor, Bureau of Labor
27 Statistics;

- 1 (12) "Department" means the Department of Revenue;
- 2 (13) "Development area" means an area established under KRS 65.7049, 65.7051, and
3 65.7053;
- 4 (14) "Economic development projects" means projects which are approved for tax
5 credits under Subchapter 20, 22, 23, 24, 25, 26, 27, 28, 34, or 48 of KRS Chapter
6 154;
- 7 (15) "Financing costs" means principal, interest, costs of issuance, debt service reserve
8 requirements, underwriting discount, costs of credit enhancement or liquidity
9 instruments, and other costs directly related to the issuance of bonds or debt for
10 approved public infrastructure costs or approved signature project costs for projects
11 approved pursuant to KRS 154.30-050;
- 12 (16) "Footprint" means the actual perimeter of a discrete, identified project within a
13 development area. The footprint shall not include any portion of a development area
14 outside the area for which actual capital investments are made and must be
15 contiguous;
- 16 (17) "Governing body" means the body possessing legislative authority in a city or
17 county;
- 18 (18) "Increment bonds" means bonds and notes issued for the purpose of paying the
19 costs of one (1) or more projects;
- 20 (19) "Incremental revenues" means:
- 21 (a) The amount of revenues received by a taxing district, as determined by
22 subtracting old revenues from new revenues in a calendar year with respect to
23 a development area, or a project within a development area; or
- 24 (b) The amount of revenues received by the Commonwealth as determined by
25 subtracting old revenues from new revenues in a calendar year with respect to
26 the footprint;
- 27 (20) "Local participation agreement" means the agreement entered into under KRS

1 65.7063;

2 (21) "Local tax revenues" has the same meaning as in KRS 65.7045;

3 (22) "Modified new revenues for income tax" means the amount of individual income
4 tax included in state tax revenues that is:

5 (a) The result of multiplying the portion of state tax revenues from individual
6 income taxes by the modifier;

7 (b) Used for calculating state tax revenues in calendar years 2023 to 2026; and

8 (c) For projects approved prior to January 1, 2023;

9 (23) "Modifier" means the result of dividing the individual income tax rate of five
10 percent (5%), in effect as of December 31, 2022, by the individual income tax rate
11 under KRS 141.020 for the calendar year in which the new revenues for income tax
12 are being computed;

13 (24) "New revenues" means:

14 (a) The amount of local tax revenues received by a taxing district with respect to
15 a development area in any calendar year beginning with the year in which the
16 activation date occurred; and

17 (b) The amount of state tax revenues received by the Commonwealth with respect
18 to the footprint in any calendar year beginning with the year in which the
19 activation date occurred.

20 For projects approved prior to January 1, 2023, any state tax revenues received by
21 the Commonwealth from individual income tax shall be computed using modified
22 new revenues for income tax;

23 (25) "Old revenues" means:

24 (a) The amount of local tax revenues received by a taxing district with respect to
25 a development area as of December 31 of the year of preliminary approval; or

26 (b) 1. The amount of state tax revenues received by the Commonwealth within
27 the footprint as of December 31 of the year of preliminary approval. If

1 the authority determines that the amount of state tax revenues received
2 as of December 31 of the last calendar year prior to the commencement
3 of preliminary approval does not represent a true and accurate depiction
4 of revenues, the authority may consider revenues for a period of no
5 longer than three (3) calendar years prior to the year of preliminary
6 approval, so as to determine a fair representation of state tax revenues.
7 The amount determined by the authority shall be specified in the tax
8 incentive agreement. If state tax revenues were derived from the
9 footprint prior to the year of preliminary approval, old revenues shall
10 increase each calendar year by:

- 11 a. The percentage increase, if any, of the CPI or a comparable index;
12 or
- 13 b. An alternative percentage increase that is determined to be
14 appropriate by the authority.

15 The method for increasing old revenues shall be set forth in the tax
16 incentive agreement;

- 17 2. If state revenues were derived from the footprint prior to the year of
18 preliminary approval, the calculation of incremental revenues shall be
19 based on the value of old revenues as increased using the method
20 prescribed in subparagraph 1. of this paragraph to reflect the same
21 calendar year as is used in the determination of new revenues;

22 (26) "Outstanding" means increment bonds that have been issued, delivered, and paid
23 for by the purchaser, except any of the following:

- 24 (a) Increment bonds canceled upon surrender, exchange, or transfer, or upon
25 payment or redemption;
- 26 (b) Increment bonds in replacement of which or in exchange for which other
27 increment bonds have been issued; or

- 1 (c) Increment bonds for the payment, redemption, or purchase for cancellation
2 prior to maturity, of which sufficient moneys or investments, in accordance
3 with the ordinance or other proceedings or any applicable law, by mandatory
4 sinking fund redemption requirements, or otherwise, have been deposited, and
5 credited in a sinking fund or with a trustee or paying or escrow agent, whether
6 at or prior to their maturity or redemption, and, in the case of increment bonds
7 to be redeemed prior to their stated maturity, notice of redemption has been
8 given or satisfactory arrangements have been made for giving notice of that
9 redemption, or waiver of that notice by or on behalf of the affected bond
10 holders has been filed with the issuer or its agent;
- 11 (27) "Preliminary approval" means the action taken by the authority preliminarily
12 approving an eligible project for incentives under this subchapter;
- 13 (28) "Project" means any property, asset, or improvement located in a development area
14 and certified by the governing body as:
- 15 (a) Being for a public purpose; and
16 (b) Being for the development of facilities for residential, commercial, industrial,
17 public, recreational, or other uses, or for open space, including the
18 development, rehabilitation, renovation, installation, improvement,
19 enlargement, or extension of real estate and buildings; and
20 (c) Contributing to economic development or tourism; and
21 (d) Meeting the additional requirements established by KRS 154.30-040, 154.30-
22 050, or 154.30-060;
- 23 (29) "Signature project" means a project approved under KRS 154.30-050;
- 24 (30) "State real property ad valorem tax" means real property ad valorem taxes levied
25 under KRS 132.020(1)(a);
- 26 (31) "State tax revenues" means revenues received by the Commonwealth from one (1)
27 or more of the following sources:

- 1 (a) State real property ad valorem taxes;
- 2 (b) Individual income taxes levied under KRS 141.020, other than individual
- 3 income taxes that have already been pledged to support an economic
- 4 development project within the development area;
- 5 (c) Corporation income taxes levied under KRS 141.040, other than corporation
- 6 income taxes that have already been pledged to support an economic
- 7 development project within the development area;
- 8 (d) Limited liability entity taxes levied under KRS 141.0401, other than limited
- 9 liability entity taxes that have already been pledged to support an economic
- 10 development project within the development area; and
- 11 (e) Sales taxes levied under KRS 139.200, excluding sales taxes already pledged
- 12 for:
- 13 1. Approved tourism attraction projects, as defined in KRS 148.851, within
- 14 the development area; and
- 15 2. Projects which are approved for sales tax refunds under Subchapter 20
- 16 of KRS Chapter 154 within the development area;
- 17 (32) "Tax incentive agreement" means an agreement entered into in accordance with
- 18 KRS 154.30-070; and
- 19 (33) "Termination date" means:
- 20 (a) For a tax incentive agreement satisfying the requirements of KRS 154.30-040
- 21 or 154.30-060, a date established by the tax incentive agreement that is no
- 22 more than twenty (20) years from the activation date. However, the
- 23 termination date for a tax incentive agreement shall in no event be more than
- 24 forty (40) years from the establishment date of the development area to which
- 25 the tax incentive agreement relates; and
- 26 (b) For a project grant agreement satisfying the requirements of KRS 154.30-050,
- 27 a date established by the tax incentive agreement that is no more than thirty

1 (30) years from the activation date. However, the termination date for a tax
2 incentive agreement shall in no event be more than forty (40) years from the
3 establishment date of the development area to which the tax incentive
4 agreement relates.

5 ➔Section 18. KRS 154.30-030 is amended to read as follows:

6 (1) The Commonwealth shall offer three (3) tax increment financing participation
7 programs. The first program, the criteria and details of which are set forth in KRS
8 154.30-040, relates to a pledge of state real property ad valorem taxes only. The
9 second program, the criteria and details of which are set forth in KRS 154.30-050,
10 is the Signature Projects Program. The third program, the criteria and details of
11 which are set forth in KRS 154.30-060, relates to the pledge of state tax revenues to
12 support mixed-use development in blighted urban areas.

13 (2) (a) A city or county that has established a development area pursuant to KRS
14 65.7049, 65.7051, and 65.7053, or an agency designated as the entity
15 managing a development area established pursuant to KRS 65.7049, 65.7051,
16 and 65.7053, may submit an application to the authority requesting that the
17 Commonwealth participate in a project.

18 1. The application shall identify the specific program under which state
19 participation is being requested and shall include the following
20 attachments, in addition to any requirements developed by the authority
21 pursuant to paragraph (b) of this subsection:

- 22 a. A copy of the ordinance adopted by the city or county establishing
23 the development area;
24 b. A copy of the local participation agreement; and
25 c. Data and information supporting the determinations and findings
26 required by KRS 65.7049.

27 2. The staff of the authority shall review the application to determine if the

1 applicant has met all of the statutory and regulatory requirements
2 established by this subchapter and shall notify the applicant in writing of
3 its determination. This review shall be preliminary in nature and shall
4 not constitute approval of the request. All applications for participation
5 by the Commonwealth shall be reviewed by the authority for approval.

6 3. a. Applications meeting all statutory and regulatory requirements
7 requesting participation by the Commonwealth pursuant to KRS
8 154.30-040, along with any supporting materials, shall be referred
9 by the staff of the authority to the authority for consideration.

10 b. i. Applicants meeting all statutory and regulatory requirements
11 requesting participation by the Commonwealth pursuant to
12 KRS 154.30-050~~(3)~~~~(2)~~(b) or 154.30-060 shall be required
13 to submit a report prepared by an independent consultant or
14 financial adviser as described in subsection (6) of this section
15 for the application to be complete. The staff of the authority
16 shall notify ~~the~~~~such~~ applicants of the report requirements
17 and shall provide information regarding the contents and
18 requirements for the report at the same time it notifies the
19 applicant of the results of its preliminary review.

20 ii. Upon receipt and review of the report, the staff of the
21 authority shall refer the application and supporting
22 information to the authority for consideration.

23 (b) Additional standards and requirements for the application process shall be
24 established by the authority through the promulgation of administrative
25 regulations in accordance with KRS Chapter 13A.

26 (3) (a) The authority may request any materials and make any inquiries concerning
27 an application that the authority deems necessary.

- 1 (b) The authority shall, through the promulgation of administrative regulations in
2 accordance with KRS Chapter 13A, establish commercially reasonable
3 limitations on the financing costs that may be recovered under the provisions
4 of KRS 154.30-050.
- 5 (4) Upon review of an application and other information available, the authority may
6 pledge all or a portion of the state real property ad valorem tax incremental revenue
7 of the Commonwealth or state tax revenues attributable to the footprint of the
8 project, as limited by KRS 154.30-040, 154.30-050, or 154.30-060, whichever is
9 applicable.
- 10 (a) If incremental revenues are pledged from less than one hundred percent
11 (100%) of the footprint of the project, a description of the included portion of
12 the development area shall be provided.
- 13 (b) State tax revenues from the development area that have not been pledged to
14 projects within the development area may be used to support other economic
15 development projects or tourism projects approved under KRS 139.536 and
16 148.851 to 148.860, provided that state tax revenues shall not be pledged
17 more than once during the existence of the development area. Thus, state tax
18 revenues pledged to support increment bonds issued for the development area,
19 or a project in the development area shall not be pledged to support any other
20 development area, project, program, development, or undertaking during the
21 life of the development area. If less than one hundred percent (100%) of
22 incremental revenues are pledged pursuant to the provisions of this
23 subchapter, the remaining incremental revenues shall not be used to support
24 other economic development projects or tourism projects approved under
25 KRS 139.536 and 148.851 to 148.860.
- 26 (5) The pledge of incremental state real property ad valorem tax revenues or state tax
27 revenues of the Commonwealth by the authority shall be implemented through the

1 execution of a tax incentive agreement between the Commonwealth and the agency,
2 city, or county, as the case may be, in accordance with KRS 154.30-070.

3 (6) (a) The authority shall engage the services of a qualified independent outside
4 consultant or financial adviser to analyze the data related to the project and
5 the development area and prepare the report required by subsection (2) of this
6 section. The report shall include the following:

- 7 1. The estimated approved public infrastructure costs for the project and, if
8 relevant, approved signature project costs, financing costs, and costs
9 associated with land preparation, demolition, and clearance;
- 10 2. The feasibility of the project, taking into account the scope and location
11 of the project;
- 12 3. The estimated amount of local tax revenues and state tax revenues, as
13 applicable, that would be generated by the project over the period,
14 which may be up to twenty (20) years or thirty (30) years, as applicable,
15 from the activation date;
- 16 4. The estimated amount of local tax revenues and state tax revenues, as
17 applicable, that would be displaced within the Commonwealth, for the
18 purpose of quantifying economic activity which is being shifted over the
19 same period as that set forth in subparagraph 3. of this paragraph. The
20 projections for displaced activity shall include economic activity that is
21 lost to the Commonwealth as a result of the project, as well as economic
22 activity that is diverted to the project that formerly took place at existing
23 establishments within the Commonwealth prior to the commencement
24 date of the project;
- 25 5. The estimated amount of local and state old revenues that would have
26 been generated in the footprint of the project in the absence of the
27 project, computed over the same time period as set forth in subparagraph

1 3. of this paragraph;

2 6. In the process of estimating the revenues and impacts prescribed in
3 subparagraphs 3. and 4. of this paragraph, the independent outside
4 consultant shall not consider any of the following:

5 a. Revenues or economic impacts associated with any projects within
6 the development area where the new project will be located; and

7 b. Revenues or economic impacts associated with economic
8 development projects and approved Kentucky Tourism
9 Development Act projects under KRS Chapter 148;

10 7. The relationship of the estimated incremental revenues to the financing
11 needs, including any increment bonds, of the project;

12 8. When estimating the fiscal impact of the project, the consultant shall
13 evaluate the amount of revenue estimated in subparagraph 3. of this
14 paragraph and shall deduct the amounts estimated in subparagraphs 4.
15 and 5. of this paragraph. The resulting difference shall be compared to
16 the estimated incremental revenues to determine the presence or absence
17 of a positive fiscal impact; and

18 9. A determination that the project will not occur if not for the designation
19 of the development area, the granting of incremental revenues by the
20 taxing district or districts, other than the Commonwealth, and the
21 granting of the state tax incremental revenues.

22 (b) 1. The independent consultant or financial advisor shall consult with the
23 Office of State Budget Director, and the Finance and Administration
24 Cabinet in the development of the report.

25 2. The Office of State Budget Director and the staff of the authority, in
26 collaboration with the independent consultant or financial advisor, shall
27 agree on a methodology to be used and assumptions to be made by the

1 independent consultant or financial consultant in preparing its report.

2 3. On the basis of the independent consultant's report and the other
3 materials provided, prior to any approval of a project by the authority,
4 the Office of State Budget Director and the Finance and Administration
5 Cabinet shall certify to the authority whether there is a projected net
6 positive economic impact to the Commonwealth and the expected
7 amount of state tax incremental revenues from the project.

8 4. The city, county, or agency making the application shall pay all costs
9 associated with the independent consultant's or financial advisor's report.

10 ➔Section 19. KRS 241.010 is amended to read as follows:

11 As used in KRS Chapters 241 to 244, unless the context requires otherwise:

12 (1) "Alcohol" means ethyl alcohol, hydrated oxide of ethyl or spirit of wine, from
13 whatever source or by whatever process it is produced;

14 (2) "Alcoholic beverage" means every liquid, solid, powder, or crystal, whether
15 patented or not, containing alcohol in an amount in excess of more than one percent
16 (1%) of alcohol by volume, which is fit for beverage purposes. It includes every
17 spurious or imitation liquor sold as, or under any name commonly used for,
18 alcoholic beverages, whether containing any alcohol or not. It does not include the
19 following products:

20 (a) Medicinal preparations manufactured in accordance with formulas prescribed
21 by the United States Pharmacopoeia, National Formulary, or the American
22 Institute of Homeopathy;

23 (b) Patented, patent, and proprietary medicines;

24 (c) Toilet, medicinal, and antiseptic preparations and solutions;

25 (d) Flavoring extracts and syrups;

26 (e) Denatured alcohol or denatured rum;

27 (f) Vinegar and preserved sweet cider;

- 1 (g) Wine for sacramental purposes; and
- 2 (h) Alcohol unfit for beverage purposes that is to be sold for legitimate external
- 3 use;
- 4 (3) (a) "Alcohol vaporizing device" or "AWOL device" means any device, machine,
- 5 or process that mixes liquor, spirits, or any other alcohol product with pure
- 6 oxygen or by any other means produces a vaporized alcoholic product used
- 7 for human consumption;
- 8 (b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler,
- 9 nebulizer, atomizer, or other device that is designed and intended by the
- 10 manufacturer to dispense a prescribed or over-the-counter medication or a
- 11 device installed and used by a licensee under this chapter to demonstrate the
- 12 aroma of an alcoholic beverage;
- 13 (4) "Automobile race track" means a facility primarily used for vehicle racing that has a
- 14 seating capacity of at least thirty thousand (30,000) people;
- 15 (5) "Barrel-aged and batched cocktail" means an alcoholic beverage that is:
- 16 (a) Composed of:
- 17 1. Distilled spirits that have been dispensed from their original sealed
- 18 container; and
- 19 2. Other ingredients or alcoholic beverages;
- 20 (b) Placed into a barrel or container on the premises of a retail licensee; and
- 21 (c) Dispensed from the barrel or container as a retail sale by the drink;
- 22 (6) "Bed and breakfast" means a one (1) family dwelling unit that:
- 23 (a) Has guest rooms or suites used, rented, or hired out for occupancy or that are
- 24 occupied for sleeping purposes by persons not members of the single-family
- 25 unit;
- 26 (b) Holds a permit under KRS Chapter 219; and
- 27 (c) Has an innkeeper who resides on the premises or property adjacent to the

1 premises during periods of occupancy;

2 (7) "Board" means the State Alcoholic Beverage Control Board created by KRS
3 241.030;

4 (8) "Bottle" means any container which is used for holding alcoholic beverages for the
5 use and sale of alcoholic beverages at retail;

6 (9) "Brewer" means any person who manufactures malt beverages or owns, occupies,
7 carries on, works, or conducts any brewery, either alone or through an agent;

8 (10) "Brewery" means any place or premises where malt beverages are manufactured for
9 sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards,
10 and storerooms connected with the premises; or where any part of the process of the
11 manufacture of malt beverages is carried on; or where any apparatus connected with
12 manufacture is kept or used; or where any of the products of brewing or
13 fermentation are stored or kept;

14 (11) "Building containing licensed premises" means the licensed premises themselves
15 and includes the land, tract of land, or parking lot in which the premises are
16 contained, and any part of any building connected by direct access or by an
17 entrance which is under the ownership or control of the licensee by lease holdings
18 or ownership;

19 (12) "Cannabinoid" means a compound found in the hemp plant *Cannabis sativa* L.
20 from a United States Department of Agriculture sanctioned domestic hemp
21 production program and does not include cannabinoids derived from any other
22 substance;

23 (13) "Cannabis-infused beverage":

24 (a) Means a properly permitted adult-use cannabinoid liquid product intended
25 for human consumption that has intoxicating properties that change the
26 function of the nervous system and results in alterations of perception,
27 cognition, or behavior and shall not contain more than five (5) milligrams

1 *of intoxicating adult-use cannabinoids; and*

2 *(b) Shall not include:*

3 *1. Medicinal cannabis regulated under KRS Chapter 218B;*

4 *2. Any type of hemp tincture; and*

5 *3. Any product containing solely nonintoxicating cannabinoids;*

6 ~~(14)~~~~(12)~~ "Caterer" means a person operating a food service business that prepares food
7 in a licensed and inspected commissary, transports the food and alcoholic beverages
8 to the caterer's designated and inspected banquet hall or to an agreed location, and
9 serves the food and alcoholic beverages pursuant to an agreement with another
10 person;

11 ~~(15)~~~~(13)~~ "Charitable organization" means a nonprofit entity recognized as exempt from
12 federal taxation under section 501(c) of the Internal Revenue Code (26 U.S.C. sec.
13 501(c)) or any organization having been established and continuously operating
14 within the Commonwealth of Kentucky for charitable purposes for three (3) years
15 and which expends at least sixty percent (60%) of its gross revenue exclusively for
16 religious, educational, literary, civic, fraternal, or patriotic purposes;

17 ~~(16)~~~~(14)~~ "Cider" means any fermented fruit-based beverage containing seven percent
18 (7%) or more alcohol by volume and includes hard cider and perry cider;

19 ~~(17)~~~~(15)~~ "City administrator" means city alcoholic beverage control administrator;

20 ~~(18)~~~~(16)~~ "Commercial airport" means an airport through which more than five hundred
21 thousand (500,000) passengers arrive or depart annually;

22 ~~(19)~~~~(17)~~ (a) "Commercial quadricycle" means a vehicle equipped with a minimum
23 of ten (10) pairs of fully operative pedals for propulsion by means of human
24 muscular power and which:

- 25 1. Has four (4) wheels;
- 26 2. Is operated in a manner similar to that of a bicycle;
- 27 3. Is equipped with a minimum of thirteen (13) seats for passengers;

- 1 4. Has a unibody design;
- 2 5. Is equipped with a minimum of four (4) hydraulically operated brakes;
- 3 6. Is used for commercial tour purposes;
- 4 7. Is operated by the vehicle owner or an employee of the owner; and
- 5 8. Has an electrical assist system that shall only be used when traveling to
- 6 or from its storage location while not carrying passengers.

7 (b) A "commercial quadricycle" is not a motor vehicle as defined in KRS 186.010
8 or 189.010;

9 (20)~~[(18)]~~ "Commissioner" means the commissioner of the Department of Alcoholic
10 Beverage Control;

11 (21)~~[(19)]~~ "Consumer" means a person, persons, or business organization who purchases
12 alcoholic beverages and who:

- 13 (a) Does not hold a license or permit issued by the department;
- 14 (b) Purchases the alcoholic beverages for personal consumption only and not for
- 15 resale;
- 16 (c) Is of lawful drinking age; and
- 17 (d) Receives the alcoholic beverages in territory where the alcoholic beverages
- 18 may be lawfully sold or received;

19 (22)~~[(20)]~~ "Convention center" means any facility which, in its usual and customary
20 business, provides seating for a minimum of one thousand (1,000) people and offers
21 convention facilities and related services for seminars, training and educational
22 purposes, trade association meetings, conventions, or civic and community events
23 or for plays, theatrical productions, or cultural exhibitions;

24 (23)~~[(21)]~~ "Convicted" and "conviction" means a finding of guilt resulting from a plea of
25 guilty, the decision of a court, or the finding of a jury, irrespective of a
26 pronouncement of judgment or the suspension of the judgment;

27 (24)~~[(22)]~~ "County administrator" means county alcoholic beverage control

1 administrator;

2 ~~(25)~~~~[(23)]~~ "Department" means the Department of Alcoholic Beverage Control;

3 ~~(26)~~~~[(24)]~~ "Dining car" means a railroad passenger car that serves meals to consumers
4 on any railroad or Pullman car company;

5 ~~(27)~~~~[(25)]~~ "Discount in the usual course of business" means price reductions, rebates,
6 refunds, and discounts given by wholesalers to distilled spirits and wine retailers
7 pursuant to an agreement made at the time of the sale of the merchandise involved
8 and are considered a part of the sales transaction, constituting reductions in price
9 pursuant to the terms of the sale, irrespective of whether the quantity discount was:

10 (a) Prorated and allowed on each delivery;

11 (b) Given in a lump sum after the entire quantity of merchandise purchased had
12 been delivered; or

13 (c) Based on dollar volume or on the quantity of merchandise purchased;

14 ~~(28)~~~~[(26)]~~ "Distilled spirits" or "spirits" means any product capable of being consumed
15 by a human being which contains alcohol obtained by distilling, mixed with water
16 or other substances in solution, except wine, hard cider, and malt beverages;

17 ~~(29)~~~~[(27)]~~ "Distiller" means any person who is engaged in the business of manufacturing
18 distilled spirits at any distillery in the state and is registered in the Office of the
19 Collector of Internal Revenue for the United States at Louisville, Kentucky;

20 ~~(30)~~~~[(28)]~~ "Distillery" means any place or premises where distilled spirits are
21 manufactured for sale, and which are registered in the office of any collector of
22 internal revenue for the United States. It includes any United States government
23 bonded warehouse;

24 ~~(31)~~~~[(29)]~~ "Distributor" means any person who distributes malt beverages for the
25 purpose of being sold at retail;

26 ~~(32)~~~~[(30)]~~ "Dry" means a territory in which a majority of the electorate voted to prohibit
27 all forms of retail alcoholic beverage~~alcohol~~ sales through a local option election

1 held under KRS Chapter 242;

2 ~~(33)~~~~[(31)]~~ "Election" means:

3 (a) An election held for the purpose of taking the sense of the people as to the
4 application or discontinuance of alcoholic beverage sales under KRS Chapter
5 242; or

6 (b) Any other election not pertaining to alcoholic beverages~~alcohol~~;

7 ~~(34)~~~~[(32)]~~ "Horse racetrack" means a facility licensed to conduct a horse race meeting
8 under KRS Chapter 230;

9 ~~(35)~~~~[(33)]~~ "Hotel" means a hotel, motel, or inn for accommodation of the traveling
10 public, designed primarily to serve transient patrons;

11 ~~(36)~~~~[(34)]~~ "Investigator" means any employee or agent of the department who is
12 regularly employed and whose primary function is to travel from place to place for
13 the purpose of visiting licensees, and any employee or agent of the department who
14 is assigned, temporarily or permanently, by the commissioner to duty outside the
15 main office of the department at Frankfort, in connection with the administration of
16 alcoholic beverage statutes;

17 ~~(37)~~~~[(35)]~~ "License" means any license issued pursuant to KRS Chapters 241 to 244;

18 ~~(38)~~~~[(36)]~~ "Licensee" means any person to whom a license has been issued, pursuant to
19 KRS Chapters 241 to 244;

20 ~~(39)~~~~[(37)]~~ "Limited restaurant" means:

21 (a) A facility where the usual and customary business is the preparation and
22 serving of meals to consumers, which has a bona fide kitchen facility, which
23 receives at least seventy percent (70%) of its food and alcoholic beverage
24 receipts from the sale of food, which maintains a minimum seating capacity of
25 fifty (50) persons for dining, which has no open bar, which requires that
26 alcoholic beverages be sold in conjunction with the sale of a meal, and which
27 is located in a wet or moist territory under KRS 242.1244; or

1 (b) A facility where the usual and customary business is the preparation and
2 serving of meals to consumers, which has a bona fide kitchen facility, which
3 receives at least seventy percent (70%) of its food and alcoholic beverage
4 receipts from the sale of food, which maintains a minimum seating capacity of
5 one hundred (100) persons of dining, and which is located in a wet or moist
6 territory under KRS 242.1244;

7 ~~(40)~~~~[(38)]~~ "Local administrator" means a city alcoholic beverage control administrator,
8 county alcoholic beverage control administrator, or urban-county alcoholic
9 beverage control administrator;

10 ~~(41)~~~~[(39)]~~ "Malt beverage" means any fermented undistilled alcoholic beverage of any
11 name or description, manufactured from malt wholly or in part, or from any
12 substitute for malt, and includes weak cider;

13 ~~(42)~~~~[(40)]~~ "Manufacture" means distill, rectify, brew, bottle, and operate a winery;

14 ~~(43)~~~~[(41)]~~ "Manufacturer" means a winery, distiller, rectifier, or brewer, and any other
15 person engaged in the production or bottling of alcoholic beverages;

16 ~~(44)~~~~[(42)]~~ "Marina" means a dock or basin providing moorings for boats and offering
17 supply, repair, or other services for remuneration;

18 ~~(45)~~~~[(43)]~~ "Minor" means any person who is not twenty-one (21) years of age or older;

19 ~~(46)~~~~[(44)]~~ "Moist" means a territory in which a majority of the electorate voted to permit
20 limited alcoholic beverage~~alcohol~~ sales by any one (1) or a combination of
21 special limited local option elections authorized by KRS Chapter 242;

22 ~~(47)~~~~[(45)]~~ "Population" means the population figures established by the federal
23 decennial census for a census year or the current yearly population estimates
24 prepared by the Kentucky State Data Center, Urban Studies Center of the
25 University of Louisville, Louisville, Kentucky, for all other years;

26 ~~(48)~~~~[(46)]~~ "Premises" means the land and building in and upon which any business
27 regulated by alcoholic beverage statutes is operated or carried on. "Premises" shall

1 not include as a single unit two (2) or more separate businesses of one (1) owner on
2 the same lot or tract of land, in the same or in different buildings if physical and
3 permanent separation of the premises is maintained, excluding employee access by
4 keyed entry and emergency exits equipped with crash bars, and each has a separate
5 public entrance accessible directly from the sidewalk or parking lot. Any licensee
6 holding an alcoholic beverage license on July 15, 1998, shall not, by reason of this
7 subsection, be ineligible to continue to hold his or her license or obtain a renewal,
8 of the license;

9 (49)~~[(47)]~~ "Primary source of supply" or "supplier" means the distiller, winery, brewer,
10 producer, owner of the commodity at the time it becomes a marketable product,
11 bottler, or authorized agent of the brand owner. In the case of imported products,
12 the primary source of supply means either the foreign producer, owner, bottler, or
13 agent of the prime importer from, or the exclusive agent in, the United States of the
14 foreign distiller, producer, bottler, or owner;

15 (50)~~[(48)]~~ "Private club" means a nonprofit social, fraternal, military, or political
16 organization, club, or nonprofit or for-profit entity maintaining or operating a club
17 room, club rooms, or premises from which the general public is excluded;

18 (51)~~[(49)]~~ "Private selection event" means a private event with a licensed distiller during
19 which participating consumers, retail licensees, wholesalers, distributors, or a
20 distillery's own representatives select a single barrel or a blend of barrels of the
21 distiller's products to be specially packaged for the participants;

22 (52)~~[(50)]~~ "Private selection package" means a bottle of distilled spirits sourced from the
23 barrel or barrels selected by participating consumers, retail licensees, wholesalers,
24 distributors, microbreweries that hold a quota retail drink or quota retail package
25 license, or a distillery's own representatives during a private selection event;

26 (53)~~[(51)]~~ "Public nuisance" means a condition that endangers safety or health, is
27 offensive to the senses, or obstructs the free use of property so as to interfere with

1 the comfortable enjoyment of life or property by a community or neighborhood or
2 by any considerable number of persons;

3 (54)~~[(52)]~~ "Qualified historic site" means:

- 4 (a) A contributing property with dining facilities for at least fifty (50) persons at
5 tables, booths, or bars where food may be served within a commercial district
6 listed in the National Register of Historic Places;
- 7 (b) A site that is listed as a National Historic Landmark or in the National
8 Register of Historic Places with dining facilities for at least fifty (50) persons
9 at tables, booths, or bars where food may be served;
- 10 (c) A distillery which is listed as a National Historic Landmark and which
11 conducts souvenir retail package sales under KRS 243.0305; or
- 12 (d) A not-for-profit or nonprofit facility listed on the National Register of Historic
13 Places;

14 (55)~~[(53)]~~ "Rectifier" means any person who rectifies, purifies, or refines distilled
15 spirits, malt, or wine by any process other than as provided for on distillery
16 premises, and every person who, without rectifying, purifying, or refining distilled
17 spirits by mixing alcoholic beverages with any materials, manufactures any
18 imitations of or compounds liquors for sale under the name of whiskey, brandy, gin,
19 rum, wine, spirits, cordials, bitters, or any other name;

20 (56)~~[(54)]~~ "Repackaging" means the placing of alcoholic beverages in any retail
21 container irrespective of the material from which the container is made;

22 (57)~~[(55)]~~ "Restaurant" means a facility where the usual and customary business is the
23 preparation and serving of meals to consumers, that has a bona fide kitchen facility,
24 and that receives at least fifty percent (50%) of its food and alcoholic beverage
25 receipts from the sale of food at the premises;

26 (58)~~[(56)]~~ "Retail container" means any bottle, can, barrel, or other container which,
27 without a separable intermediate container, holds alcoholic beverages and is

1 suitable and destined for sale to a retail outlet, whether it is suitable for delivery or
2 shipment to the consumer or not;

3 (59)~~[(57)]~~ "Retail sale" means any sale of alcoholic beverages to a consumer, including
4 those transactions taking place in person, electronically, online, by mail, or by
5 telephone;

6 (60)~~[(58)]~~ "Retailer" means any licensee who sells and delivers any alcoholic beverage
7 to consumers, except for manufacturers with limited retail sale privileges and direct
8 shipper licensees;

9 (61)~~[(59)]~~ "Riverboat" means any boat or vessel with a regular place of mooring in this
10 state that is licensed by the United States Coast Guard to carry forty (40) or more
11 passengers for hire on navigable waters in or adjacent to this state;

12 (62)~~[(60)]~~ "Sale" means any transfer, exchange, or barter for consideration, and includes
13 all sales made by any person, whether principal, proprietor, agent, servant, or
14 employee, of any alcoholic beverage;

15 (63)~~[(61)]~~ "Service bar" means a bar, counter, shelving, or similar structure used for
16 storing or stocking supplies of alcoholic beverages that is a workstation where
17 employees prepare alcoholic beverage drinks to be delivered to customers away
18 from the service bar;

19 (64)~~[(62)]~~ "Sell" includes solicit or receive an order for, keep or expose for sale, keep
20 with intent to sell, and the delivery of any alcoholic beverage;

21 (65)~~[(63)]~~ "Small farm winery" means a winery whose wine production is not less than
22 two hundred fifty (250) gallons and not greater than five hundred thousand
23 (500,000) gallons in a calendar year;

24 (66)~~[(64)]~~ "Souvenir package" means a special package of distilled spirits available from
25 a licensed retailer that is:

26 (a) Available for retail sale at a licensed Kentucky distillery where the distilled
27 spirits were produced or bottled; or

1 (b) Available for retail sale at a licensed Kentucky distillery but produced or
2 bottled at another of that distiller's licensed distilleries in Kentucky;

3 ~~(67)~~~~((65))~~ "State administrator" or "administrator" means the distilled spirits
4 administrator or the malt beverages administrator, or both, as the context requires;

5 ~~(68)~~~~((66))~~ "State park" means a state park that has a:

6 (a) Nine (9) or eighteen (18) hole golf course; or

7 (b) Full-service lodge and dining room;

8 ~~(69)~~~~((67))~~ "Supplemental bar" means a bar, counter, shelving, or similar structure used
9 for serving and selling distilled spirits or wine by the drink for consumption on the
10 licensed premises to guests and patrons from additional locations other than the
11 main bar;

12 ~~(70)~~~~((68))~~ "Territory" means a county, city, district, or precinct;

13 ~~(71)~~~~((69))~~ "Urban-county administrator" means an urban-county alcoholic beverage
14 control administrator;

15 ~~(72)~~~~((70))~~ "Valid identification document" means an unexpired, government-issued form
16 of identification that contains the photograph and date of birth of the individual to
17 whom it is issued;

18 ~~(73)~~~~((71))~~ "Vehicle" means any device or animal used to carry, convey, transport, or
19 otherwise move alcoholic beverages or any products, equipment, or appurtenances
20 used to manufacture, bottle, or sell these beverages;

21 ~~(74)~~~~((72))~~ "Vintage distilled spirit" means:

22 (a) A private selection package; or

23 (b) A package or packages of distilled spirits that:

24 1. Are in their original manufacturer's unopened container;

25 2. Are not owned by a distillery; and

26 3. Are not otherwise available for purchase from a licensed wholesaler
27 within the Commonwealth;

- 1 ~~(75)~~~~(73)~~ (a) "Vintage distilled spirits seller" means a nonlicensed person at least
2 twenty-one (21) years of age who is:
- 3 1. An administrator, executor, receiver, or other fiduciary who receives and
4 sells vintage distilled spirits in execution of the person's fiduciary
5 capacity;
 - 6 2. A creditor who receives or takes possession of vintage distilled spirits as
7 security for, or in payment of, debt, in whole or in part;
 - 8 3. A public officer or court official who levies on vintage distilled spirits
9 under order or process of any court or magistrate to sell the vintage
10 distilled spirits in satisfaction of the order or process; or
 - 11 4. Any other person not engaged in the business of selling alcoholic
12 beverages.
- 13 (b) "Vintage distilled spirits seller" does not mean:
- 14 1. A person selling alcoholic beverages as part of an approved KRS
15 243.630 transfer; or
 - 16 2. A person selling alcoholic beverages as authorized by KRS 243.540;
- 17 ~~(76)~~~~(74)~~ "Warehouse" means any place in which alcoholic beverages are housed or
18 stored;
- 19 ~~(77)~~~~(75)~~ "Weak cider" means any fermented fruit-based beverage containing more than
20 one percent (1%) but less than seven percent (7%) alcohol by volume;
- 21 ~~(78)~~~~(76)~~ "Wet" means a territory in which a majority of the electorate voted to permit
22 all forms of retail alcoholic beverage~~alcohol~~ sales by a local option election under
23 KRS 242.050 or 242.125 on the following question: "Are you in favor of the sale of
24 alcoholic beverages in (name of territory)?"
- 25 ~~(79)~~~~(77)~~ "Wholesale sale" means a sale to any person for the purpose of resale;
- 26 ~~(80)~~~~(78)~~ "Wholesaler" means any person who distributes alcoholic beverages for the
27 purpose of being sold at retail, but it shall not include a subsidiary of a

1 manufacturer or cooperative of a retail outlet;

2 ~~(81)~~~~(79)~~ "Wine" means the product of the normal alcoholic fermentation of the juices
3 of fruits, with the usual processes of manufacture and normal additions, and
4 includes champagne and sparkling and fortified wine of an alcoholic content not to
5 exceed twenty-four percent (24%) by volume. It includes sake, cider, hard cider,
6 and perry cider and also includes preparations or mixtures vended in retail
7 containers if these preparations or mixtures contain not more than fifteen percent
8 (15%) of alcohol by volume. It does not include weak cider; and

9 ~~(82)~~~~(80)~~ "Winery" means any place or premises in which wine is manufactured from
10 any fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials
11 are compounded, except a place or premises that manufactures wine for sacramental
12 purposes exclusively.

13 ➔Section 20. KRS 243.720 is amended to read as follows:

14 (1) (a) There is levied upon the use, sale, or distribution by sale or gift of distilled
15 spirits a tax of one dollar and ninety-two cents (\$1.92) on each wine gallon of
16 distilled spirits, and a proportional rate per gallon on all distilled spirits used,
17 sold, or distributed in any container of more or less than one (1) gallon, but
18 the rate of the excise tax on spirits in retail containers of one-half (1/2) pint
19 shall be twelve cents (\$0.12); and

20 (b) Notwithstanding the provisions of paragraph (a) of this subsection, distilled
21 spirits placed in containers for sale at retail, where the distilled spirits
22 represent six percent (6%) or less of the total volume of the contents of
23 ~~the~~~~such~~ containers, shall be taxed at the rate of twenty-five cents (\$0.25) per
24 gallon.

25 (2) There is levied upon the use, sale, or distribution by sale or gift of wine, a tax of
26 fifty cents (\$0.50) on each gallon of wine, and a proportional rate per gallon on the
27 wine used, sold, or distributed in any container of more or less than one (1) gallon,

1 but the tax shall not be less than four cents (\$0.04) on the sale or distribution of any
2 retail container of wine.

- 3 (3) (a) There is levied upon the sale or distribution by sale or gift of malt beverages
4 an excise tax of two dollars and fifty cents (\$2.50) on each barrel of thirty-one
5 (31) gallons and a proportional rate per gallon on malt beverages sold or
6 distributed in any container of more or less than thirty-one (31) gallons;
7 (b) Each brewer producing malt beverages in this state shall be entitled to a credit
8 of fifty percent (50%) of the tax levied on each barrel of malt beverages sold
9 in this state, up to three hundred thousand (300,000) barrels per annum.

10 (4) *There is levied upon the use, sale, or distribution by sale or gift of cannabis-*
11 *infused beverages a tax of one dollar and ninety-two cents (\$1.92) on each gallon*
12 *of a cannabis-infused beverage, and a proportional rate per gallon on all*
13 *cannabis-infused beverages used, sold, or distributed in any container of more or*
14 *less than one (1) gallon.*

15 (5) This section shall not apply to:

- 16 (a) Wine manufactured, sold, given away, or distributed and used solely for
17 sacramental purposes; or
18 (b) Distilled spirits and wine purchased by holders of special licenses provided
19 for in KRS 243.320 and purchased and used in the manner authorized by
20 those licenses.

21 ➔Section 21. KRS 243.730 is amended to read as follows:

- 22 (1) (a) Wholesalers of distilled spirits and wine shall pay and report the tax levied by
23 KRS 243.720(1) and (2) on or before the twentieth day of the calendar month
24 next succeeding the month in which possession or title of the distilled spirits
25 and wine is transferred from the wholesaler to retailers or consumers in this
26 state, in accordance with administrative~~[rules and]~~ regulations promulgated
27 under KRS Chapter 13A~~[of the Department of Revenue]~~ designed reasonably

1 to protect the revenues of the Commonwealth.

2 (b) 1. Distributors or retailers of malt beverages, who purchase malt beverages
3 directly from a brewer, shall pay and report the tax levied by KRS
4 243.720(3) on or before the twentieth day of the calendar month next
5 succeeding the month in which the brewer sells, transfers, or passes title
6 of the malt beverage to the distributor or retailer, in accordance with
7 administrative~~rules and~~ regulations promulgated under KRS Chapter
8 13A~~of the Department of Revenue~~ designed reasonably to protect the
9 revenues of the Commonwealth.

10 2. The credit allowed brewers in this state, under the provisions of KRS
11 243.720(3)(b), shall flow through to the distributor or retailer who
12 purchases malt beverages directly from the brewer.

13 3. If a brewer sells, transfers, or passes title to malt beverages to any of its
14 employees for home consumption or to any charitable or fraternal
15 organization pursuant to the provisions of KRS 243.150, the brewer
16 shall be responsible for paying and reporting the tax levied by KRS
17 243.720(3) in accordance with the provisions of paragraph (d) of this
18 subsection~~[(c) of this section]~~.

19 (c) Cannabis-infused beverage distributors shall pay and report the tax levied
20 by subsection (4) of Section 20 of this Act on or before the twentieth day of
21 the calendar month next succeeding the month in which possession or title
22 of the cannabis-infused beverages are transferred from the cannabis-
23 infused beverage distributor to retailers or consumers in this state, in
24 accordance with administrative regulations promulgated under KRS
25 Chapter 13A designed reasonably to protect the revenues of the
26 Commonwealth.

27 (d) 1. Every brewer selling, transferring, or passing title to malt beverages to

any person in this state other than a distributor or retailer;

2. Every manufacturer of cannabis-infused beverages permitted by the Department for Public Health selling, transferring, or passing title to cannabis-infused beverages to any person in this state other than a distributor or retailer; and

3. Every other person selling, transferring, or passing title of distilled spirits, wine, ~~for~~ malt beverages, or cannabis-infused beverages to distributors, retailers, cannabis-infused beverage licensees, or consumers;

shall report and pay the tax levied by KRS 243.720~~[(1), (2), or (3)]~~ on or before the twentieth day of the calendar month next succeeding the month in which possession or title of distilled spirits, wine, ~~for~~ malt beverages, **or cannabis-infused beverages** is transferred to a distributor, retailer, **cannabis-infused beverage licensee**, or consumer in this state, in accordance with **administrative**~~rules and~~ regulations **promulgated under KRS Chapter 13A**~~of the Department of Revenue~~ designed reasonably to protect the revenues of the Commonwealth.

(e)~~(d)~~ Every distributor, retailer, or consumer possessing, using, selling, or distributing distilled spirits, wine,~~for~~ malt beverages, **or cannabis-infused beverages** in this state upon which the tax levied by KRS 243.720~~[(1), (2), or (3)]~~ and KRS 243.884 has not been paid shall be jointly and severally liable for reporting and paying the tax due, in accordance with **administrative**~~rules and~~ regulations **promulgated under KRS Chapter 13A**~~of the Department of Revenue~~ designed reasonably to protect the revenues of the Commonwealth. **The**~~Such~~ liability shall not be extinguished until the tax has been paid to the Department of Revenue.

(f)~~(e)~~ Notwithstanding the provisions of paragraph (a) of this subsection,

1 every owner of a small farm winery shall pay and report the tax levied by
2 KRS 243.720 (1) and (2) on a quarterly basis, in accordance with
3 administrative regulations of the Department of Revenue designed reasonably
4 to protect the revenues of the Commonwealth.

5 (2) Every wholesaler of distilled spirits or wine before using, selling, or distributing by
6 sale or gift distilled spirits and wine shall ~~register~~~~[qualify]~~ with the Department of
7 Revenue.

8 (3) Every brewer before selling or distributing by sale or gift malt beverages, or before
9 importing malt beverages into the state, shall ~~register~~~~[qualify]~~ with the Department
10 of Revenue in ~~a~~~~[such]~~ manner as the Department of Revenue may require.

11 **(4) Every manufacturer of cannabis-infused beverages before selling or distributing**
12 **by sale or gift cannabis-infused beverages, or before importing cannabis-infused**
13 **beverages into the state, shall:**

14 **(a) Obtain a permit as a food manufacturer through the Department for Public**
15 **Health; and**

16 **(b) Register with the Department of Revenue in a manner as the Department of**
17 **Revenue may require.**

18 ➔Section 22. KRS 243.790 is amended to read as follows:

19 The sale or distribution of alcoholic beverages **or cannabis-infused beverages**
20 manufactured in or imported into this state for shipment permanently out of the state to
21 be sold without the state and consumed without the state shall not be subject to the tax
22 imposed by KRS 243.720. Provided, however, the Department of Revenue may, when
23 necessary for the purpose of control enforcement or protection of revenue, prescribe the
24 conditions under which containers of ~~the~~~~[such]~~ alcoholic beverages **or cannabis-infused**
25 **beverages** for shipment permanently out of the state to be sold without the state and
26 consumed without the state may be kept and trafficked in without payment of the tax.

27 ➔Section 23. KRS 243.850 is amended to read as follows:

1 **(1)** For the purpose of assisting in the enforcement of **Sections 20, 21, 22, and 24 of**
2 **this Act**~~[KRS 243.720 to 243.850 and 243.884 or any amendments thereof]~~, every
3 licensee, except retailers, whether subject to the payment of taxes imposed by
4 **Sections 20, 21, 22, and 24 of this Act**~~[said sections or any amendments thereof]~~,
5 shall, on or before the twentieth day of each month, render to the Department of
6 Revenue a statement, in writing, of all ~~[his]~~ trafficking in alcoholic beverages **or**
7 **cannabis-infused beverages** during the preceding month.

8 **(2)** ~~The~~~~[Such]~~ statement shall:

9 **(a)** Be taken directly from the records of the reporting licensee **or manufacturer**
10 **of cannabis-infused beverages permitted by the Department for Public**
11 **Health**, and shall set forth on forms furnished by the Department of Revenue
12 **the required**~~[such]~~ information; **and**~~[as shall be required by it. such statement~~
13 ~~shall]~~

14 **(b)** Include **alcoholic beverages or cannabis-infused beverages**~~[alcohol]~~
15 destined for sale outside the state, as well as alcoholic beverages **or cannabis-**
16 **infused beverages** subject to the tax imposed by **Sections 20, 21, 22, and 24**
17 **of this Act**~~[KRS 243.720 to 243.850 and 243.884 or any amendments~~
18 ~~thereof]. [Provided, that]~~

19 **(3)** The Department of Revenue shall have authority to require from retail licensees,
20 ~~[and]~~ other licensees, **and manufacturers of cannabis-infused beverages**, other
21 reports and statements at **the necessary**~~[such]~~ times~~[as are necessary]~~ for the
22 enforcement of **Sections 20, 21, 22, and 24 of this Act**~~[KRS 243.720 to 243.850~~
23 ~~and 243.884 or any amendments thereof].~~

24 ➔Section 24. KRS 243.884 is amended to read as follows:

25 (1) (a) For the privilege of making "wholesale sales" or "sales at wholesale" of **malt**
26 **beverages**~~[beer]~~, wine, ~~[or]~~ distilled spirits, **or cannabis-infused beverages**, a
27 tax is hereby imposed upon all wholesalers of wine and distilled spirits, all

distributors of malt beverages or~~[beer,]~~ cannabis-infused beverages, all direct shipper licensees shipping alcoholic beverages~~[alcohol]~~ or cannabis-infused beverages to a consumer at a Kentucky address, all distillers making sales pursuant to KRS 243.0305(3), (4)(a)1. and 2. and (c), (7), (9), (10), (12), and (13), all microbreweries selling malt beverages under KRS 243.157, ~~and~~ ~~all~~ small farm wineries selling wine under KRS 243.155, and all manufacturers of cannabis-infused beverages permitted by the Department for Public Health.

(b) Prior to July 1, 2015, the tax shall be imposed at the rate of eleven percent (11%) of the gross receipts of any ~~[such]~~ wholesaler or distributor derived from "sales at wholesale" or "wholesale sales" made within the Commonwealth, except as provided in subsection (3) of this section. For the purposes of this section, the gross receipts of a microbrewery making "wholesale sales" shall be calculated by determining the dollar value amount that the microbrewer would have collected had it conveyed to a distributor the same volume sold to a consumer as allowed under KRS 243.157 (3)(b) and (c).

(c) ~~[On and after July 1, 2015,]~~ The following rates shall apply to wholesale sales or sales at wholesale:

1. For distilled spirits and cannabis-infused beverages, eleven percent (11%)~~[of wholesale sales or sales at wholesale];~~ and
2. For wine and malt beverages, ~~[and beer:]~~
 - a. ~~Ten and three quarters of one percent (10.75%) for wholesale sales or sales at wholesale made on or after July 1, 2015, and before June 1, 2016;~~
 - b. ~~Ten and one half of one percent (10.5%) for wholesale sales or sales at wholesale made on or after June 1, 2016, and before June~~

1 1, 2017;

2 e. ~~Ten and one quarter of one percent (10.25%) for wholesale sales~~
3 ~~or sales at wholesale made on or after June 1, 2017, and before~~
4 ~~June 1, 2018; and~~

5 d. ~~ten percent (10%) for wholesale sales or sales at wholesale made~~
6 ~~on or after June 1, 2018].~~

7 (d) ~~On and after March 12, 2021,~~ The following rates shall apply for direct
8 shipper sales:

9 1. For distilled spirits **and cannabis-infused beverages** shipments, eleven
10 percent (11%) for wholesale sales or sales at wholesale; and

11 2. For wine **and malt beverage** ~~and beer~~ shipments, ten percent (10%) for
12 wholesale sales or sales at wholesale.

13 (e) For direct shipper sales or sales made pursuant to KRS 243.0305, if a
14 wholesale price is not readily available, the direct shipper licensee or distillery
15 shall calculate the wholesale price to be seventy percent (70%) of the retail
16 price of the alcoholic beverages.

17 (2) Wholesalers of distilled spirits and wine, distributors of malt beverages ~~or~~
18 **cannabis-infused beverages**, microbreweries, distillers, **manufacturers of**
19 **cannabis-infused beverages permitted by the Department for Public Health**, and
20 direct shipper licensees shall pay and report the tax levied by this section on or
21 before the twentieth day of the calendar month next succeeding the month in which
22 possession or title of the distilled spirits, wine, ~~or~~ malt beverages, **or cannabis-**
23 **infused beverages** is transferred from the wholesaler or distributor to retailers, or by
24 microbreweries, distillers, **manufacturers of cannabis-infused beverages permitted**
25 **by the Department for Public Health**, or direct shipper licensees to consumers in
26 this state, in accordance with **administrative** ~~rules and~~ regulations **promulgated**
27 **under KRS Chapter 13A** ~~of the Department of Revenue~~ designed reasonably to

1 protect the revenues of the Commonwealth.

2 (3) Gross receipts from sales at wholesale or wholesale sales shall not include the
3 following sales:

4 (a) Sales made between wholesalers, ~~{or}~~ between distributors, or between
5 manufacturers of cannabis-infused beverages permitted by the Department
6 for Public Health;

7 (b) Sales from the first fifty thousand (50,000) gallons of wine produced by a
8 small farm winery in a calendar year made by:

9 1. The small farm winery; or

10 2. A wholesaler of that wine produced by the small farm winery; and

11 (c) Sales made between a direct shipper licensee and a consumer located outside
12 of Kentucky.

13 ➔SECTION 25. A NEW SECTION OF KRS CHAPTER 246 IS CREATED TO
14 READ AS FOLLOWS:

15 **The General Assembly declares:**

16 **(1) Alternative fuels are vitally important to the Commonwealth because the**
17 **alternative fuel may:**

18 **(a) Reduce pollution;**

19 **(b) Improve energy security; and**

20 **(c) Support the Commonwealth's economy;**

21 **(2) Alternative fuels derived from resources within the Commonwealth, including:**

22 **(a) Ethanol derived from corn;**

23 **(b) Biodiesel derived from soybean oil;**

24 **(c) Waste streams;**

25 **(d) Renewable or zero emissions energy sources;**

26 **(e) Gaseous carbon-18 oxides; and**

27 **(f) Alternative jet fuels generated by agricultural production facilities in the**

- 1 Commonwealth;
2 reduce undesirable impacts to the environment and provide additional
3 demand for those resources;
4 (3) Environmental benefits resulting from alternative fuels include:
5 (a) Reduced harmful emissions, including carbon dioxide, carbon monoxide,
6 and sulfur; and
7 (b) Improved air quality by reducing ozone-forming emissions;
8 (4) Alternative fuels may:
9 (a) Stimulate the economy;
10 (b) Create jobs across the Commonwealth;
11 (c) Diversify the Commonwealth's energy supply; and
12 (d) Reduce dependence on imported fuels;
13 through the development of a production network in the Commonwealth for
14 consumers in the Commonwealth;
15 (5) There are various other benefits which may be achieved, including improved:
16 (a) Performance of vehicles that results in a reduction of operation costs for the
17 citizens of the Commonwealth; and
18 (b) Transportation systems, including the creation of a sustainable supply; and
19 (6) Its commitment to furthering research and development to build an alternative
20 fuels policy that may be declared the best in the nation.

21 ➔SECTION 26. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO
22 READ AS FOLLOWS:

- 23 (1) As used in this section:
24 (a) "Entertainment event":
25 1. Means a live performance or exhibition of musical, theatrical,
26 cultural, culinary, or other artistic presentation; and
27 2. Does not include sporting events or tournaments;

1 (b) "Facility operator" means a person who owns or operates a venue;

2 (c) "Qualifying attraction" means a series of entertainment events which is:

3 1. Held at a venue over a duration of at least three (3) consecutive days;

4 2. Hosted by a sponsoring entity pursuant to an agreement with a facility
5 operator that authorizes the sponsoring entity to conduct one (1) or
6 more series of entertainment events annually during at least five (5)
7 consecutive years; and

8 3. Open to the public upon purchase of tickets, with attendance totaling
9 at least one hundred thousand (100,000) admissions over the duration
10 of each series of entertainment events; and

11 (d) "Sponsoring entity" means the person hosting a qualifying attraction; and

12 (e) "Venue" means:

13 1. Public property located in a consolidated local government or an
14 urban-county government which is owned, operated, or controlled by
15 the consolidated local government or urban-county government;

16 2. A park located in a consolidated local government that is:

17 a. Open to the general public; and

18 b. Owned, operated, or controlled by any nonprofit corporation
19 established under KRS 273.161 to 273.390;

20 3. Property located in a consolidated local government or an urban-
21 county government that is owned, operated, or controlled by a public
22 university; or

23 4. Privately owned property located in a consolidated local government
24 or an urban-county government that is suitable for hosting
25 entertainment events and qualifying attractions.

26 (2) Notwithstanding KRS 134.580 and 139.770:

27 (a) A sponsoring entity shall be granted a sales tax incentive equal to fifty

1 percent (50%) of the Kentucky sales tax generated by the sale of admissions
2 to a qualifying attraction held at a venue, and the sales of tangible personal
3 property and services at the qualifying attraction, including but not limited
4 to the sale of food and beverage concessions, souvenirs, camping, and
5 parking;

6 (b) The amount of the sales tax incentive authorized in paragraph (a) of this
7 subsection shall be allocated as follows:

8 1. Twenty-five percent (25%) shall be paid to the facility operator and
9 utilized to support operations and maintenance at the venue; and

10 2. Seventy-five percent (75%) shall be paid to the sponsoring entity of the
11 qualifying attraction from which the sales taxes were generated;

12 (c) Only one (1) incentive request shall be made for each qualifying attraction
13 each year;

14 (d) The sponsoring entity shall have no obligation to refund or otherwise return
15 any amount of the sales tax incentive to the persons from whom the sales
16 tax was collected;

17 (e) The sales tax incentive shall be reduced by the vendor compensation
18 allowed under KRS 139.570; and

19 (f) Interest shall not be allowed or paid on any sales tax incentive payment
20 made under this section.

21 (3) The department shall accept initial applications for sales tax incentives under this
22 section for qualifying attractions held on or after July 1, 2025.

23 (4) To be eligible for a sales tax incentive under this section, the sponsoring entity
24 shall file an initial application with the department, which:

25 (a) Includes sufficient information regarding the qualifying attraction to
26 demonstrate whether it qualifies for the sales tax incentive; and

27 (b) Is filed at least sixty (60) days prior to the date of the first entertainment

1 event constituting the qualifying attraction.

2 (5) Within thirty (30) days of receipt of the initial application, the department shall
3 notify the sponsoring entity of its preliminary approval or denial of the qualifying
4 attraction.

5 (6) If the initial application is denied, the department shall provide the reason for the
6 denial.

7 (7) After approval of its initial application and the completion of the qualifying
8 attraction, a sponsoring entity shall apply for a sales tax incentive no earlier than
9 thirty (30) days following the end of the month during which sales taxes that were
10 generated from the qualifying attraction are collected. The application may
11 aggregate eligible sales taxes from previous months if the events comprising the
12 qualifying attraction were held in more than one (1) month.

13 (8) The department shall review each application for a sales tax incentive and
14 determine if it meets the requirements of this section, pending the verification of
15 required attendance.

16 (9) In determining eligibility for a sales tax incentive authorized under this section,
17 the department shall waive the duration and attendance requirements listed in
18 subsection (1)(c)1. and 3. of this section if the person requesting an incentive
19 demonstrates that any delays, cancellations, or postponements were due to
20 inclement weather or other extraordinary events beyond the control of the parties
21 involved and that the weather or other extraordinary events rendered the
22 satisfaction of the requirement impossible.

23 (10) Both the initial application and the sales tax incentive application shall be in the
24 form prescribed by the department through the promulgation of an administrative
25 regulation in accordance with KRS Chapter 13A.

26 (11) The department shall verify the amount of sales tax incentive and pay the
27 allocations determined to be due in accordance with subsection (2)(b) of this

1 section within forty-five (45) days of receipt of the later of:

2 (a) The application submitted under subsection (7) of this section; or

3 (b) All necessary supporting information required by the department to
4 determine that the sponsoring entity is eligible for the incentive.

5 (12) (a) Prior to November 1, 2026, and continuing each November 1 thereafter to
6 November 1, 2035, the department shall provide an annual report detailing
7 information related to each qualifying attraction receiving incentives during
8 the fiscal year concluding on June 30 of the reporting period.

9 (b) The department shall include the following information in the report:

10 1. The name of the qualifying attraction;

11 2. The venue where the qualifying attraction was held;

12 3. The name of the facility operator;

13 4. The name of the sponsoring entity;

14 5. The duration of the qualifying attraction and the number of
15 admissions over that duration; and

16 6. The amount of incentive paid to the facility operator; and

17 7. The amount of incentive paid to the sponsoring entity.

18 (c) The information required to be reported under this subsection shall not be
19 considered confidential taxpayer information and shall not be subject to
20 KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes
21 prohibiting disclosure or reporting of information.

22 (13) The provisions of this section shall expire on June 30, 2035, and a qualifying
23 attraction held after June 30, 2035, shall not be eligible for the incentives
24 authorized in this section.

25 ➔Section 27. KRS 131.190 is amended to read as follows:

26 (1) No present or former commissioner or employee of the department, present or
27 former member of a county board of assessment appeals, present or former property

1 valuation administrator or employee, present or former secretary or employee of the
2 Finance and Administration Cabinet, former secretary or employee of the Revenue
3 Cabinet, or any other person, shall intentionally and without authorization inspect
4 or divulge any information acquired by him or her of the affairs of any person, or
5 information regarding the tax schedules, returns, or reports required to be filed with
6 the department or other proper officer, or any information produced by a hearing or
7 investigation, insofar as the information may have to do with the affairs of the
8 person's business.

9 (2) The prohibition established by subsection (1) of this section shall not extend to:

- 10 (a) Information required in prosecutions for making false reports or returns of
11 property for taxation, or any other infraction of the tax laws;
- 12 (b) Any matter properly entered upon any assessment record, or in any way made
13 a matter of public record;
- 14 (c) Furnishing any taxpayer or his or her properly authorized agent with
15 information respecting his or her own return;
- 16 (d) Testimony provided by the commissioner or any employee of the department
17 in any court, or the introduction as evidence of returns or reports filed with the
18 department, in an action for violation of state or federal tax laws or in any
19 action challenging state or federal tax laws;
- 20 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or
21 energy resources assessed under KRS 132.820, or owners of surface land
22 under which the unmined minerals lie, factual information about the owner's
23 property derived from third-party returns filed for that owner's property, under
24 the provisions of KRS 132.820, that is used to determine the owner's
25 assessment. This information shall be provided to the owner on a confidential
26 basis, and the owner shall be subject to the penalties provided in KRS
27 131.990(2). The third-party filer shall be given prior notice of any disclosure

- 1 of information to the owner that was provided by the third-party filer;
- 2 (f) Providing to a third-party purchaser pursuant to an order entered in a
3 foreclosure action filed in a court of competent jurisdiction, factual
4 information related to the owner or lessee of coal, oil, gas reserves, or any
5 other mineral resources assessed under KRS 132.820. The department may
6 promulgate an administrative regulation establishing a fee schedule for the
7 provision of the information described in this paragraph. Any fee imposed
8 shall not exceed the greater of the actual cost of providing the information or
9 ten dollars (\$10);
- 10 (g) Providing information to a licensing agency, the Transportation Cabinet, or
11 the Kentucky Supreme Court under KRS 131.1817;
- 12 (h) Statistics of gasoline and special fuels gallonage reported to the department
13 under KRS 138.210 to 138.448;
- 14 (i) Providing any utility gross receipts license tax return information that is
15 necessary to administer the provisions of KRS 160.613 to 160.617 to
16 applicable school districts on a confidential basis;
- 17 (j) Providing documents, data, or other information to a third party pursuant to an
18 order issued by a court of competent jurisdiction;
- 19 (k) Publishing administrative writings on its official website in accordance with
20 KRS 131.020(1)(b); or
- 21 (l) Providing information to the Legislative Research Commission under:
- 22 1. KRS 139.519 for purposes of the sales and use tax refund on building
23 materials used for disaster recovery;
- 24 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 25 3. KRS 141.437 for purposes of the ENERGY STAR home and the
26 ENERGY STAR manufactured home credits;
- 27 4. KRS 141.383 for purposes of the film industry incentives;

- 1 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization
- 2 ~~credit~~~~[tax credits]~~ and the job assessment fees;
- 3 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 4 7. KRS 141.396 for purposes of the angel investor~~[tax]~~ credit;
- 5 8. KRS 141.389 for purposes of the distilled spirits credit;
- 6 9. KRS 141.408 for purposes of the inventory credit;
- 7 10. KRS 141.390 for purposes of the recycling and composting
- 8 ~~credits~~~~[credit]~~;
- 9 11. KRS 141.3841 for purposes of the selling farmer~~[tax]~~ credit;
- 10 12. KRS 141.4231 for purposes of the renewable chemical production~~[tax]~~
- 11 credit;
- 12 13. KRS 141.524 for purposes of the Education Opportunity Account
- 13 Program~~[tax]~~ credit;
- 14 14. KRS 141.398 for purposes of the development area~~[tax]~~ credit;
- 15 15. KRS 139.516 for~~[the]~~ purposes of the sales and use tax exemptions
- 16 for~~[exemption on]~~ the commercial mining of cryptocurrency;
- 17 16. KRS 141.419 for purposes of the decontamination~~[tax]~~ credit;
- 18 17. KRS 141.391 for purposes of the qualified broadband investment~~[tax]~~
- 19 credit;~~[and]~~
- 20 18. KRS 139.499 for purposes of the sales and use tax
- 21 exemptions~~[exemption]~~ for a qualified data center project; and
- 22 19. Section 26 of this Act for purposes of the sales and use tax refund for
- 23 a qualifying attraction.
- 24 (3) The commissioner shall make available any information for official use only and on
- 25 a confidential basis to the proper officer, agency, board or commission of this state,
- 26 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 (4) Access to and inspection of information received from the Internal Revenue Service
3 is for department use only, and is restricted to tax administration purposes.
4 Information received from the Internal Revenue Service shall not be made available
5 to any other agency of state government, or any county, city, or other state, and
6 shall not be inspected intentionally and without authorization by any present
7 secretary or employee of the Finance and Administration Cabinet, commissioner or
8 employee of the department, or any other person.

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

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

23 ➔Section 28. A claim for refund or credit of a tax overpayment for any taxable
24 period made by an amended return, tax refund application, or any other method on or
25 after the effective date of this Act, and based on the amendments to subsection (3) of
26 Section 4 of this Act or subsection (3) of Section 5 of this Act, shall not be recognized for
27 any purpose.

- 1 ➔Section 29. Sections 4 and 5 of this Act shall apply retroactively to property
2 assessed on or after December 31, 2022.
- 3 ➔Section 30. Sections 19 to 24 and 26 of this Act take effect on July 1, 2025.