

KENTUCKY GENERAL ASSEMBLY AMENDMENT FORM
2018 REGULAR SESSION
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Amend printed copy of **HB 75/GA**

On page 9, line 15, insert the following:

"➔Section 2. KRS 141.068 is amended to read as follows:

(1) As used in this section, unless the context requires otherwise:

- (a) "Authority" means the Kentucky Economic Development Finance Authority as created pursuant to KRS 154.20-010;
- (b) "Investor" has the same meaning as set forth in KRS 154.20-254;
- (c) "Investment fund" has the same meaning as set forth in KRS 154.20-254;
- (d) "Investment fund manager" has the same meaning as set forth in KRS 154.20-254; and
- (e) "Tax credit" means the credits provided for in KRS 154.20-258.

(2) **For applications received beginning prior to January 1, 2023:**

- (a) An investor which is an individual or a corporation shall be entitled to the credit certified by the authority under KRS 154.20-258 against the tax due computed as provided by KRS 141.020 or 141.040, respectively, and against the tax imposed by KRS 141.0401, with the ordering of credits as provided in KRS 141.0205; **and**[-]
- (b) The amount of the certified tax credit that may be claimed in any tax year of the investor shall be determined in accordance with the provisions of KRS 154.20-258.

(3) (a) In the case of an investor that is a pass-through entity not subject to the tax imposed

Amendment No. _____

Rep. Sen. Damon Thayer

Committee Amendment _____

Signed: _____

Floor Amendment _____

Not for Filing

LRC Drafter: Brown, Cynthia

Adopted: _____

Date: _____

Rejected: _____

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- by KRS 141.040, the amount of the tax credit certified by the authority under KRS 154.20-258 shall be taken by the pass-through entity against the limited liability entity tax imposed by KRS 141.0401, and shall also be apportioned among the partners, members, or shareholders at the same ratio as the partners', members', or shareholders' distributive shares of income are determined for the tax year during which the amount of the credit is certified by the authority.
- (b) The amount of the tax credit apportioned to each partner, member, or shareholder that may be claimed in any tax year of the partner, member, or shareholder shall be determined in accordance with the provisions of KRS 154.20-258.
- (4) (a) In the case of an investor that is a trust not subject to the tax imposed by KRS 141.040, the amount of the tax credit certified by the authority under KRS 154.20-258 shall be apportioned to the trust and the beneficiaries on the basis of the income of the trust allocable to each for the tax year during which the tax credit is certified by the authority.
- (b) The amount of tax credit apportioned to each trust or beneficiary that may be claimed in any tax year of the trust or beneficiary shall be determined in accordance with the provisions of KRS 154.20-258.
- (5) The Department of Revenue shall promulgate administrative regulations under KRS Chapter 13A to adopt procedures for the administration of the credits authorized by KRS 154.20-258.
- (6) (a) In order for the General Assembly to evaluate the fulfillment of the purposes stated in Section 6 of this Act, the department shall submit the following information, related to each taxable year that a tax credit is claimed on any return filed, including income tax, bank franchise tax, or insurance premiums tax:**
- 1. The cumulative amount of tax credits by taxable year claimed by entity type,**

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including:

a. Individuals;

b. Corporations;

c. Financial institutions; and

d. Insurance companies;

2. The number of returns filed claiming a tax credit for each taxable year by entity type;

3. In the case of a taxpayer other than a corporation, based on the mailing address of the return, the total amount of tax credits claimed by county;

4. In the case of a taxpayer other than a corporation, based on ranges of adjusted gross income of no larger than five thousand dollars (\$5,000), the total amount of tax credit claimed for each adjusted gross income range by taxable year; and

5. In the case of a corporation, based on ranges of net income no larger than fifty thousand dollars (\$50,000), the total amount of tax credit claimed for each net income range.

(b) The report required by paragraph (a) of this subsection shall be submitted to the Interim Joint Committee on Appropriations and Revenue beginning no later than November 1, 2018, and no later than each November 1 thereafter, as long as the tax credit is claimed on any return processed by the department.

➔Section 3. KRS 141.396 is amended to read as follows:

(1) As used in this section:

(a) "Authority" has the same meaning as in KRS 154.20-230;

(b) "Qualified investor" has the same meaning as in KRS 154.20-230;

(c) "Qualified small business" has the same meaning as in KRS 154.20-230; and

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- (d) "Taxpayer" means an individual subject to the tax imposed by KRS 141.020, who has either:
1. Received a credit from the authority pursuant to KRS 154.20-236; or
 2. Received a credit through a valid transfer allowed under this section from a qualified investor that was originally awarded the credit.
- (2) For applications received~~[taxable years]~~ beginning on or after January 1, 2015, but before January 1, 2023, there is hereby created the angel investor tax credit. The credit shall be nonrefundable, and shall apply against the tax imposed by KRS 141.020. The ordering of the credit shall be as provided in KRS 141.0205.
- (3) A qualified investor may seek a credit by applying to the authority pursuant to KRS 154.20-236.
- (4) The maximum amount of credit that may be claimed by a taxpayer in any taxable year shall not exceed fifty percent (50%) of the total amount of credit awarded or transferred to the taxpayer.
- (5) Any amount of credit that a taxpayer is unable to utilize during a taxable year may be carried forward for use in a succeeding taxable year for a period not to exceed fifteen (15) years. Any amount of credit not used within fifteen (15) years shall be lost. No amount of credit may be carried back by any taxpayer.
- (6) The credit shall not apply to any liability a taxpayer may have for interest, penalties, past due taxes, or any other additions to the taxpayer's tax liability. The holder of the credit shall assume any and all liabilities and responsibilities of the credit.
- (7) A credit may be transferred by a qualified investor to any individual taxpayer. A qualified investor making a transfer shall give written notice to the department and shall provide any other information required by the department, in the manner prescribed by the department. Any transferred credit shall be subject to the original timeframes and requirements

established by this section and KRS 154.20-230 to 154.20-240 as if held by the qualified investor.

- (8) To receive the credit, a taxpayer shall claim the credit on his or her return in the manner prescribed by the department.
- (9) The department shall recapture any portion, or the full amount, of a credit upon notification from the authority that a recapture is required pursuant to KRS 154.20-240.

(10) (a) In order for the General Assembly to evaluate the fulfillment of the purposes stated in Section 4 of this Act, the department shall submit the following information, related to each taxable year that an angel investor credit is claimed on a return:

- 1. The cumulative amount of credits claimed by individuals by taxable year;**
- 2. The number of returns filed claiming a credit for each taxable year;**
- 3. Based on the mailing address of the return, the total amount of credits claimed by county; and**
- 4. Based on ranges of adjusted gross income of no larger than five thousand dollars (\$5,000), the total amount of credits claimed and the number of returns claiming a credit for each adjusted gross income range.**

(b) The report required by paragraph (a) of this subsection shall be submitted to the Interim Joint Committee on Appropriations and Revenue beginning no later than November 1, 2018, and no later than each November 1 thereafter, as long as the angel investor credit is claimed on any return processed by the department.

➔Section 4. KRS 154.20-232 is amended to read as follows:

- (1) KRS 154.20-230 to 154.20-240 shall be known as the "Kentucky Angel Investment Act."
- (2) **(a)** The purpose of KRS 141.396 and 154.20-230 to 154.20-240 is to encourage capital investment in the Commonwealth by individual investors that will further the establishment or expansion of small businesses, create additional jobs, and foster the

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development of new products and technologies, by providing tax credits for certain investments in small businesses located in the Commonwealth, operating in the fields of knowledge-based, high-tech, and research and development, and showing a potential for rapid growth.

(b) In order for the General Assembly to evaluate the fulfillment of the purposes stated in paragraph (a) of this subsection, the Cabinet for Economic Development shall submit the following information, related to actions taken by the authority during the immediately preceding calendar year, to the Interim Joint Committee on Appropriations and Revenue beginning no later than November 1, 2018, and no later than each November 1 thereafter, as long as the credit is awarded by the authority:

- 1. The total number of applications received;**
- 2. The number of applications received that were approved;**
- 3. The number of applications received that were not approved and the primary justifications for not approving those applications;**
- 4. The number of applications approved for each qualified activity;**
- 5. The total number of active qualified small businesses and a depiction on a map of the principal Kentucky location of each qualified small business;**
- 6. The number of qualified small businesses that are inactive or closed and the total amount of investment awarded to these businesses;**
- 7. The amount of credit that was awarded and then nullified according to KRS 154.20-238 or recaptured according to KRS 154.20-240;**
- 8. The number and location of each new small business established or expanded;**
- 9. The number and location of each new job created;**

- 10. The number of new products and technologies created;**
- 11. The number of all qualified investors and a depiction on a map of the residence of each qualified investor;**
- 12. The total amount of credit awarded for qualified investments in a qualified small business with the principal place of business in an enhanced incentive county; and**
- 13. The total amount of credit awarded for qualified investments in a qualified small business with the principal place of business outside an enhanced incentive county.**
- (3) To participate in the program created by KRS 141.396 and 154.20-230 to 154.20-240:
- (a) Small businesses and individual investors shall request certification from the authority pursuant to KRS 154.20-236. To be qualified, the small businesses and individual investors shall fulfill the requirements outlined in KRS 154.20-234; and
- (b) Once certified, qualified investors may make investments in qualified small businesses, and may apply to the authority for a credit in return for making the investment if that investment qualifies under KRS 154.20-234.
- (4) Any qualified investment made in a qualified small business under KRS 154.20-230 to 154.20-240 shall be used by that business, insofar as possible, to leverage additional capital investments from other sources.
- ➔Section 5. KRS 154.20-236 is amended to read as follows:
- (1) The total amount of ~~tax~~ credit that may be awarded by the authority in each calendar year, pursuant to KRS 154.20-230 to 154.20-240, to:
- (a) All qualified investors shall be no more than:
- 1. Three million dollars (\$3,000,000), *prior to January 1, 2019; or***
- 2. Five million dollars (\$5,000,000), *beginning on or after January 1, 2019, but***

before January 1, 2023; and

(b) Any individual qualified investor shall be no more than two hundred thousand dollars (\$200,000).

~~(2)~~ The total amount of tax credit that may be awarded by the authority to:

~~(a)~~ All qualified investors pursuant to KRS 154.20-230 to 154.20-240; and

~~(b)~~ All investors in all investment funds pursuant to KRS 154.20-250 to 154.20-284;

~~shall be no more than forty million dollars (\$40,000,000) in total for all years. Once this total amount of tax credit has been awarded by the authority pursuant to KRS 154.20-230 to 154.20-240 and KRS 154.20-250 to 154.20-284, no further awards of any tax credit shall be made.~~

~~(3)~~ The authority shall, by promulgation of an administrative regulation, develop a standard procedure for:

(a) Small businesses and investors to request certification for participation in the program;

(b) Qualified investors to request certification of a planned investment as being a qualified investment, and to apply for a credit; and

(c) The award of credits to qualified investors making qualified investments.

~~(3)~~~~(4)~~ At a minimum, the procedure shall:

(a) Require small businesses and investors to demonstrate to the authority that they, and any planned investment, satisfy all requirements provided in KRS 154.20-234;

(b) Provide small businesses and investors with a standard written application form to request certification and apply for a credit;

(c) Require the payment of a fee; and

(d) Mandate a time period for the duration of certifications granted to small businesses and investors, and the procedures for recertification thereof.

- ~~(4)~~~~(5)~~ The amount of credit awarded shall be equal to:
- (a) Forty percent (40%) of the amount of the qualified investment, if the principal place of business of the qualified small business is outside an enhanced incentive county; or
 - (b) Fifty percent (50%) of the amount of the qualified investment, if the principal place of business of the qualified small business is in an enhanced incentive county.
- ~~(5)~~~~(6)~~ Upon approval of a credit, the authority shall reduce the amount of available credit by the amount of credit approved to the qualified investor.
- ~~(6)~~~~(7)~~ The authority may, in effectuating this section, contract with a science and technology organization as defined in KRS 164.6011 to administer and manage the certification and application procedure established by the authority. However, the final approval of all credits shall be made solely by the authority.

➔Section 6. KRS 154.20-250 is amended to read as follows:

- (1) The purposes of KRS 154.20-250 to 154.20-284 are to encourage capital investment in the Commonwealth of Kentucky, to encourage the establishment or expansion of small businesses in Kentucky, to provide additional jobs, and to encourage the development of new products and technologies in the state through capital investments. It is the intent of KRS 154.20-250 to 154.20-284 to give investment preference to Kentucky small businesses showing a potential for rapid growth. Insofar as possible, any investment made in a Kentucky small business under the provisions of KRS 154.20-250 to 154.20-284 shall be used by that business to leverage additional capital investments from other sources.
- (2) ***In order for the General Assembly to evaluate the fulfillment of the purposes stated in subsection (1) of this section, the Cabinet for Economic Development shall submit the following information, related to actions taken by the authority during the immediately preceding calendar year, to the Interim Joint Committee on Appropriations and Revenue beginning no later than November 1, 2018, and no later than each November 1***

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thereafter, as long as the credit is awarded by the authority:

- (a) The total number of applications received;**
- (b) The number of applications received that were approved;**
- (c) The number of applications received that were not approved and the primary justifications for not approving those applications;**
- (d) The number of applications approved for each qualified activity;**
- (e) The total number of investment funds, the number of investors for each fund, the amount of committed cash contributions to each investment fund, and the total qualified investments made by each investment fund, including initial and subsequent investments, for each small business;**
- (f) The number of small businesses that are active, inactive, or closed that have received investments and the total amount of investment awarded to businesses in each category;**
- (g) The number and location of each new small business established or expanded;**
- (h) The number and location of each new job created;**
- (i) The number of new products and technologies created;**
- (j) The number of all investors, whether the investor is an individual or an entity, and if an entity, whether the entity is a corporation paying income tax, a financial institution, or an insurance company; and**
- (k) The total amount of credits awarded.**

➔Section 7. KRS 154.20-255 is amended to read as follows:

- (1) (a) The total amount of ~~tax~~ credits available to any single investment fund awarded ~~tax~~ credits under KRS 154.20-250 to 154.20-284 shall not exceed, in aggregate, eight million dollars (\$8,000,000) for all investors and all taxable years.
- (b) The total ~~tax~~ credits available for all investors in all investment funds awarded

under KRS 154.20-250 to 154.20-284~~], and all qualified investors awarded under KRS 154.20-230 to 154.20-240,~~] shall not exceed a total of ***three***~~[forty]~~ million dollars ***(\$3,000,000) in any calendar year beginning on or after January 1, 2019, but prior to January 1, 2023***~~[\$40,000,000]~~.

- (2) A person or entity seeking to be approved as an investment fund manager for the operation of one (1) or more investment funds shall make written application to the authority pursuant to KRS 154.20-256, in addition to complying with applicable state and federal securities laws and regulations.
- (3) Prior to the granting of any ~~tax~~ credits to investors of an investment fund, the committed cash contributions to an investment fund shall be not less than five hundred thousand dollars (\$500,000).
- (4) An investment fund shall have no less than four (4) investors, and no investor or investment fund manager, including their immediate family members, as defined in KRS 164.6011(6), and affiliates may own or have a capital interest in more than forty percent (40%) of the investment fund's capitalization.
- (5) Subsequent to approval of the investment fund and the investment fund manager, the authority and the investment fund manager, on behalf of itself and any investors in the investment fund, shall enter into an agreement with respect to the investment fund. The terms and provisions of each agreement shall be determined by negotiations between the authority and the investment fund manager. The effective date of the agreement shall be the date of approval of the investment fund and the investment fund manager by the authority. If an investment fund manager fails to comply with any of the obligations of the agreement, the authority may, at its option, do any one (1) or more of the following:
 - (a) Suspend the availability of the credits;
 - (b) Pursue any remedy provided under the agreement, including termination of the

agreement; or

- (c) Pursue any other remedy at law to which it may be entitled.
- (6) Any investor shall be entitled to a ~~tax~~ credit as a result of its investment in an investment fund as provided in KRS 154.20-258.
- (7) Total qualified investments made by an investment fund, including initial and subsequent investments made by an investment fund, in any single small business using approved qualified investments, shall not exceed thirty percent (30%) of the committed cash contributions to the investment fund. This restriction shall not apply to investments of money by the investment fund that are not qualified investments.
- (8) The provisions of this section shall not prohibit an investment fund from investing in a business that is not a small business, including a business that is located outside of the Commonwealth; however, such investments shall not be eligible for the ~~tax~~ credit set forth in KRS 154.20-258.

➔Section 8. KRS 131.190 is amended to read as follows:

- (1)~~(a)~~ No present or former commissioner or employee of the department ~~of Revenue~~, present or former member of a county board of assessment appeals, present or former property valuation administrator or employee, present or former secretary or employee of the Finance and Administration Cabinet, former secretary or employee of the Revenue Cabinet, or any other person, shall intentionally and without authorization inspect or divulge any information acquired by him of the affairs of any person, or information regarding the tax schedules, returns, or reports required to be filed with the department or other proper officer, or any information produced by a hearing or investigation, insofar as the information may have to do with the affairs of the person's business.
- (2)~~(b)~~ The prohibition established by subsection (1)~~paragraph (a)~~ of this section shall~~subsection does~~ not extend to:

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- ~~(a)~~¹ Information required in prosecutions for making false reports or returns of property for taxation, or any other infraction of the tax laws;
- ~~(b)~~² Any matter properly entered upon any assessment record, or in any way made a matter of public record;
- ~~(c)~~³ Furnishing any taxpayer or his properly authorized agent with information respecting his own return;
- ~~(d)~~⁴ Testimony provided by the commissioner or any employee of the department ~~of Revenue~~ in any court, or the introduction as evidence of returns or reports filed with the department, in an action for violation of state or federal tax laws or in any action challenging state or federal tax laws;
- ~~(e)~~⁵ Providing an owner of unmined coal, oil or gas reserves, and other mineral or energy resources assessed under KRS 132.820~~(1)~~, or owners of surface land under which the unmined minerals lie, factual information about the owner's property derived from third-party returns filed for that owner's property, under the provisions of KRS 132.820~~(2)~~, that is used to determine the owner's assessment. This information shall be provided to the owner on a confidential basis, and the owner shall be subject to the penalties provided in KRS 131.990~~(2)~~⁽²¹⁾. The third-party filer shall be given prior notice of any disclosure of information to the owner that was provided by the third-party filer;
- ~~(f)~~⁶ Providing to a third-party purchaser pursuant to an order entered in a foreclosure action filed in a court of competent jurisdiction, factual information related to the owner or lessee of coal, oil, gas reserves, or any other mineral resources assessed under KRS 132.820~~(1)~~. The department may promulgate an administrative regulation establishing a fee schedule for the provision of the information described in this **paragraph**~~subparagraph~~. Any fee imposed shall not exceed the greater of the

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actual cost of providing the information or ten dollars (\$10); ~~or~~

~~(g)~~ Providing information to a licensing agency, the Transportation Cabinet, or the Kentucky Supreme Court under KRS 131.1817;

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

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

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

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

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

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

4. Section 9 of this Act for purposes of the distilled spirits credit;

5. Section 2 of this Act for purposes of the investment fund credit; and

6. Section 3 of this Act for purposes of the angel investor credit.

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

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

(4) Access to and inspection of information received from the Internal Revenue Service is for

department~~[of Revenue]~~ use only, and is restricted to tax administration purposes.~~[Notwithstanding the provisions of this section to the contrary,]~~ Information received from the Internal Revenue Service shall not be made available to any other agency of state government, or any county, city, or other state, and shall not be inspected intentionally and without authorization by any present secretary or employee of the Finance and Administration Cabinet, commissioner or employee of the department~~[of Revenue]~~, or any other person.

- (5) Statistics of crude oil as reported to the Department of Revenue under the crude oil excise tax requirements of KRS Chapter 137 and statistics of natural gas production as reported to the Department of Revenue under the natural resources severance tax requirements of KRS Chapter 143A may be made public by the department by release to the Energy and Environment Cabinet, Department for Natural Resources.
- (6) Notwithstanding any provision of law to the contrary, beginning with mine-map submissions for the 1989 tax year, the department may make public or divulge only those portions of mine maps submitted by taxpayers to the department pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-out parcel areas. These electronic maps shall not be relied upon to determine actual boundaries of mined-out parcel areas. Property boundaries contained in mine maps required under KRS Chapters 350 and 352 shall not be construed to constitute land surveying or boundary surveys as defined by KRS 322.010 and any administrative regulations promulgated thereto.

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

➔Section 9. KRS 141.389 is amended to read as follows:

- (1) (a) There shall be allowed a nonrefundable and nontransferable credit to each taxpayer paying the distilled spirits ad valorem tax as follows:
 1. For taxable years beginning on or after January 1, 2015, and before December 31, 2015, the credit shall be equal to twenty percent (20%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis;
 2. For taxable years beginning on or after January 1, 2016, and before December 31, 2016, the credit shall be equal to forty percent (40%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis;
 3. For taxable years beginning on or after January 1, 2017, and before December 31, 2017, the credit shall be equal to sixty percent (60%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis;
 4. For taxable years beginning on or after January 1, 2018, and before December 31, 2018, the credit shall be equal to eighty percent (80%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis; and
 5. For taxable years beginning on or after January 1, 2019, the credit shall be equal to one hundred percent (100%) of the tax assessed under KRS 132.160 and paid under KRS 132.180 on a timely basis.
 - (b) The credit shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of the credits as provided in KRS 141.0205.
- (2) The amount of distilled spirits credit allowed under subsection (1) of this section shall be used only for capital improvements at the premises of the distiller licensed pursuant to KRS Chapter 243. As used in this subsection, "capital improvement" means any costs associated with:
 - (a) Construction, replacement, or remodeling of warehouses or facilities;

- (b) Purchases of barrels and pallets used for the storage and aging of distilled spirits in maturing warehouses;
 - (c) Acquisition, construction, or installation of equipment for the use in the manufacture, bottling, or shipment of distilled spirits;
 - (d) Addition or replacement of access roads or parking facilities; and
 - (e) Construction, replacement, or remodeling of facilities to market or promote tourism, including but not limited to a visitor's center.
- (3) The distilled spirits credit allowed under subsection (1) of this section:
- (a) May be accumulated for multiple taxable years;
 - (b) Shall be claimed on the return of the taxpayer filed for the taxable year during which the credits were used pursuant to subsection (2) of this section; and
 - (c) Shall not include:
 - 1. Any delinquent tax paid to the Commonwealth; or
 - 2. Any interest, fees, or penalty paid to the Commonwealth.
- (4) (a) Before the distilled spirits credit shall be allowed on any return, the capital improvements required by subsection (2) of this section shall be completed and specifically associated with the credit allowed on the return.
- (b) The amount of distilled spirits credit allowed shall be recaptured if the capital improvement associated with the credit is sold or otherwise disposed of prior to the exhaustion of the useful life of the asset for Kentucky depreciation purposes.
 - (c) If the allowed credit is associated with multiple capital improvements, and not all capital improvements are sold or otherwise disposed of, the distilled spirits credit shall be prorated based on the cost of the capital improvement sold over the total cost of all improvements associated with the credit.
- (5) If the taxpayer is a pass-through entity, the taxpayer may apply the credit against the limited

liability entity tax imposed by KRS 141.0401, and shall pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

- (6) The department may promulgate an administrative regulation pursuant to KRS Chapter 13A to implement the allowable credit under this section, require the filing of forms designed by the department, and require specific information for the evaluation of the credit taken by any taxpayer.
- (7) ~~Notwithstanding KRS 131.190,~~ No later than September 1, 2016, and annually thereafter, the department shall report to the Interim Joint Committee on Appropriations and Revenue:
- (a) The name of each taxpayer taking the credit permitted by subsection (1) of this section;
 - (b) The amount of credit taken by that taxpayer; and
 - (c) The type of capital improvement made for which the credit is claimed.

➔Section 10. KRS 131.020 is amended to read as follows:

- (1) The Department of Revenue, headed by a commissioner appointed by the secretary with the approval of the Governor, shall be organized into the following functional units:
- (a) Office of the Commissioner, which shall consist of:
 - 1. The Division of Protest Resolution, headed by a division director who shall report directly to the commissioner. The division shall administer the protest functions for the department from office resolution through court action; and
 - 2. The Division of Taxpayer Ombudsman, headed by a division director who shall report to the commissioner. The division shall perform those duties set out in KRS 131.083;
 - (b) Office of Tax Policy and Regulation, headed by an executive director who shall report directly to the commissioner. The office shall be responsible for:

1. Providing oral and written technical advice on Kentucky tax law;
 2. Drafting proposed tax legislation and regulations;
 3. Testifying before legislative committees on tax matters;
 4. Analyzing tax publications;
 5. Providing expert witness testimony in tax litigation cases;
 6. Providing consultation and assistance in protested tax cases; and
 7. Conducting training and education programs;
- (c) Office of Processing and Enforcement, headed by an executive director who shall report directly to the commissioner. The office shall be responsible for processing documents, depositing funds, collecting debt payments, and coordinating, planning, and implementing a data integrity strategy. The office shall consist of the:
1. Division of Operations, which shall be responsible for opening all tax returns, preparing the returns for data capture, coordinating the data capture process, depositing receipts, maintaining tax data, and assisting other state agencies with similar operational aspects as negotiated between the department and the other agency;
 2. Division of Collections, which shall be responsible for initiating all collection enforcement activity related to due and owing tax assessments, including protest resolution, and for assisting other state agencies with similar collection aspects as negotiated between the department and the other state agency; and
 3. Division of Registration and Data Integrity, which shall be responsible for registering businesses for tax purposes, ensuring that the data entered into the department's tax systems is accurate and complete, and assisting the taxing areas in proper procedures to ensure the accuracy of the data over time;
- (d) Office of Property Valuation, headed by an executive director who shall report

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directly to the commissioner. The office shall consist of the:

1. Division of Local Support, which shall be responsible for providing supervision, assistance, and training to the property valuation administrators and sheriffs within the Commonwealth;
 2. Division of State Valuation, which shall be responsible for providing assessments of public service companies and motor vehicles, and providing assistance to property valuation administrators and sheriffs with the administration of tangible and omitted property taxes within the Commonwealth; and
 3. Division of Minerals Taxation and Geographical Information System Services, which shall be responsible for providing geographical information system mapping support, ensuring proper filing of severance tax returns, ensuring consistency of unmined coal assessments, and gathering and providing data to properly assess minerals to the property valuation administrators within the Commonwealth;
- (e) Office of Sales and Excise Taxes, headed by an executive director who shall report directly to the commissioner. The office shall administer all matters relating to sales and use taxes and miscellaneous excise taxes, including but not limited to technical tax research, compliance, taxpayer assistance, tax-specific training, and publications.

The office shall consist of the:

1. Division of Sales and Use Tax, which shall administer the sales and use tax; and
2. Division of Miscellaneous Taxes, which shall administer various other taxes, including but not limited to alcoholic beverage taxes; cigarette enforcement fees, stamps, meters, and taxes; gasoline tax; bank franchise tax; inheritance and estate tax; insurance premiums and insurance surcharge taxes; motor vehicle tire

- fees and usage taxes; and special fuels taxes;
- (f) Office of Income Taxation, headed by an executive director who shall report directly to the commissioner. The office shall administer all matters related to income and corporation license taxes, including technical tax research, compliance, taxpayer assistance, tax-specific training, and publications. The office shall consist of the:
1. Division of Individual Income Tax, which shall administer the following taxes or returns: individual income, fiduciary, and employer withholding; and
 2. Division of Corporation Tax, which shall administer the corporation income tax, corporation license tax, pass-through entity withholding, and pass-through entity reporting requirements; and
- (g) Office of Field Operations, headed by an executive director who shall report directly to the commissioner. The office shall manage the regional taxpayer service centers and the field audit program.
- (2) The functions and duties of the department shall include conducting conferences, administering taxpayer protests, and settling tax controversies on a fair and equitable basis, taking into consideration the hazards of litigation to the Commonwealth of Kentucky and the taxpayer. The mission of the department shall be to afford an opportunity for taxpayers to have an independent informal review of the determinations of the audit functions of the department, and to attempt to fairly and equitably resolve tax controversies at the administrative level.
- (3) The department shall maintain an accounting structure for the one hundred twenty (120) property valuation administrators' offices across the Commonwealth in order to facilitate use of the state payroll system and the budgeting process.
- (4) Except as provided in KRS 131.190(4), the department shall fully cooperate with and make tax information available as prescribed under KRS 131.190(3)~~(2)~~ to the Governor's Office

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for Economic Analysis as necessary for the office to perform the tax administration function established in KRS 42.410.

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