

1 AN ACT relating to tax expenditures.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 6 IS CREATED TO
4 READ AS FOLLOWS:

5 *(1) As used in this section, "tax expenditure" means the estimated amount of*
6 *revenue loss resulting from:*

7 *(a) An exemption, an exclusion, or a deduction from the base of a tax;*

8 *(b) A credit against a tax;*

9 *(c) A deferral of a tax;*

10 *(d) A preferential tax rate;*

11 *(e) A funding source for a specific use, other than normally used for the*
12 *remaining moneys of that source;*

13 *(f) An earmark of tax revenue for a specific use, other than the use of the*
14 *remaining moneys of that tax revenue; or*

15 *(g) Any other tax incentive.*

16 *(2) (a) All tax expenditures enacted after the effective date of this Act shall only*
17 *remain active and apply for a period of time not to exceed five (5) years.*

18 *(b) The five (5) year period of time begins on the effective date of the Act*
19 *establishing the new tax expenditure.*

20 *(c) If the program establishing the tax expenditure:*

21 *1. Requires an application process, that program shall not accept*
22 *applications after the five (5) year period has expired; or*

23 *2. Allows the tax expenditure to be utilized by the taxpayer outside the*
24 *five (5) year period, that program shall govern the use of tax*
25 *expenditure qualifying within the five (5) year period until the tax*
26 *expenditure has been utilized under the program.*

27 *(3) The Interim Joint Committee on Appropriations and Revenue shall set aside*

1 sufficient time during regularly scheduled interim meetings to evaluate tax
2 expenditures.

3 (4) The Interim Joint Committee on Appropriations and Revenue shall provide
4 recommendations for any changes to the programs related to improving the
5 efficiency or effectiveness of the tax expenditures evaluated.

6 (5) If the agency administering the tax expenditure program cannot produce data
7 demonstrating that the economic benefits of the tax expenditure outweigh the
8 cost of the tax expenditure, the tax expenditure shall not be statutorily extended.