

1 AN ACT relating to individual income tax, making an appropriation therefor, and  
2 declaring an emergency.

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

4 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
5 READ AS FOLLOWS:

6 (1) There is hereby established in the State Treasury a trust and agency account to be  
7 known as the individual income advanced tax credit disbursement fund.

8 (2) The fund shall:

9 (a) Be administered by the department; and

10 (b) Consist of moneys appropriated by the General Assembly for the purpose of  
11 issuing an advanced disbursement of the tax credit created in Section 2 of  
12 this Act to individuals in the Commonwealth during the fiscal year 2022-  
13 2023.

14 (3) (a) Notwithstanding KRS 45.229, fund amounts not expended at the close of a  
15 fiscal year shall not lapse but shall be carried forward into the next fiscal  
16 year, except as provided in paragraph (b) of this subsection.

17 (b) Any moneys remaining in the fund on June 30, 2024, shall lapse to the  
18 general fund.

19 (4) Any interest earnings of the fund shall become a part of the fund and shall not  
20 lapse.

21 (5) Moneys deposited in the fund are hereby appropriated for the purpose set forth in  
22 this section and shall not be appropriated or transferred by the General Assembly  
23 for any other purposes.

24 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
25 READ AS FOLLOWS:

26 (1) For the taxable year beginning on or after January 1, 2022, but prior to January  
27 1, 2023, there is established an individual income tax economic recovery tax

1 credit against the tax imposed in KRS 141.020, with the ordering of the credit as  
2 provided in Section 3 of this Act.

3 (2) Based on the return filed by a resident for the taxable year beginning on or after  
4 January 1, 2020, but before January 1, 2021, the amount of credit shall be equal  
5 to the lesser of:

6 (a) The tax liability reported on the return; or

7 (b) 1. Five hundred dollars (\$500) for a resident whose filing status is single  
8 but only if the resident cannot be claimed on another individual's  
9 income tax return; or

10 2. One thousand dollars (\$1,000) for two (2) residents whose filing status  
11 is:

12 a. Married filing separately on a combined return; or

13 b. Married persons filing a joint return, if both persons had taxable  
14 income for the taxable year. If only one (1) of the residents had  
15 taxable income for the taxable year, the amount shall be five  
16 hundred dollars (\$500).

17 (3) (a) Beginning July 1, 2022, the department shall issue advanced payments of  
18 the credit provided in subsection (1) of this section.

19 (b) All advanced payments shall be issued:

20 1. No later than October 1, 2022; and

21 2. Using the moneys appropriated to the individual income advanced tax  
22 credit disbursement fund established in Section 1 of this Act.

23 (4) Prior to January 31, 2023, the department shall issue a written notification to  
24 each resident which received an advanced payment under subsection (3) of this  
25 section for the proper calculation of the tax credit for the taxable year.

26 ➔Section 3. KRS 141.0205 is amended to read as follows:

27 If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax

1 imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of  
2 the credits shall be determined as follows:

3 (1) The nonrefundable *individual income tax economic recovery tax credit permitted*  
4 *by Section 2 of this Act.*

5 *(2) After the application of nonrefundable credit in subsection (1) of this section, the*  
6 *nonrefundable* business incentive credits against the tax imposed by KRS 141.020  
7 shall be taken in the following order:

- 8 (a) The limited liability entity tax credit permitted by KRS 141.0401;
- 9 (b) The economic development credits computed under KRS 141.347, 141.381,  
10 141.384, 141.3841, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-  
11 207, and 154.12-2088;
- 12 (c) The qualified farming operation credit permitted by KRS 141.412;
- 13 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 14 (e) The health insurance credit permitted by KRS 141.062;
- 15 (f) The tax paid to other states credit permitted by KRS 141.070;
- 16 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 17 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 18 (i) The tax credit for cash contributions in investment funds permitted by KRS  
19 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
20 154.20-258;
- 21 (j) The research facilities credit permitted by KRS 141.395;
- 22 (k) The employer High School Equivalency Diploma program incentive credit  
23 permitted under KRS 151B.402;
- 24 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 25 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 26 (n) The clean coal incentive credit permitted by KRS 141.428;
- 27 (o) The ethanol credit permitted by KRS 141.4242;

- 1 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 2 (q) The energy efficiency credits permitted by KRS 141.436;
- 3 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 4 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 5 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 6 (u) The distilled spirits credit permitted by KRS 141.389;
- 7 (v) The angel investor credit permitted by KRS 141.396;
- 8 (w) The film industry credit permitted by KRS 141.383 for applications approved
- 9 on or after April 27, 2018, but before January 1, 2022;
- 10 (x) The inventory credit permitted by KRS 141.408; and
- 11 (y) The renewable chemical production credit permitted by KRS 141.4231.

12 ~~(3)~~~~(2)~~ After the application of the nonrefundable credits in subsection ~~(2)~~~~(1)~~ of this

13 section, the nonrefundable personal tax credits against the tax imposed by KRS

14 141.020 shall be taken in the following order:

- 15 (a) The individual credits permitted by KRS 141.020(3);
- 16 (b) The credit permitted by KRS 141.066;
- 17 (c) The tuition credit permitted by KRS 141.069;
- 18 (d) The household and dependent care credit permitted by KRS 141.067;
- 19 (e) The income gap credit permitted by KRS 141.066; and
- 20 (f) The Education Opportunity Account Program tax credit permitted by KRS
- 21 141.522.

22 ~~(4)~~~~(3)~~ After the application of the nonrefundable credits provided for in subsection

23 ~~(3)~~~~(2)~~ of this section, the refundable credits against the tax imposed by KRS

24 141.020 shall be taken in the following order:

- 25 (a) The individual withholding tax credit permitted by KRS 141.350;
- 26 (b) The individual estimated tax payment credit permitted by KRS 141.305;
- 27 (c) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and

1 171.397(1)(b);

2 (d) The film industry tax credit permitted by KRS 141.383 for applications  
3 approved prior to April 27, 2018, or on or after January 1, 2022; and

4 (e) The development area tax credit permitted by KRS 141.398.

5 ~~(5)~~~~(4)~~ The nonrefundable credit permitted by KRS 141.0401 shall be applied against  
6 the tax imposed by KRS 141.040.

7 ~~(6)~~~~(5)~~ The following nonrefundable credits shall be applied against the sum of the  
8 tax imposed by KRS 141.040 after subtracting the credit provided for in subsection  
9 ~~(5)~~~~(4)~~ of this section, and the tax imposed by KRS 141.0401 in the following  
10 order:

11 (a) The economic development credits computed under KRS 141.347, 141.381,  
12 141.384, 141.3841, 141.400, 141.401, 141.403, 141.407, 141.415, 154.12-  
13 207, and 154.12-2088;

14 (b) The qualified farming operation credit permitted by KRS 141.412;

15 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);

16 (d) The health insurance credit permitted by KRS 141.062;

17 (e) The unemployment credit permitted by KRS 141.065;

18 (f) The recycling or composting equipment credit permitted by KRS 141.390;

19 (g) The coal conversion credit permitted by KRS 141.041;

20 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods  
21 ending prior to January 1, 2008;

22 (i) The tax credit for cash contributions to investment funds permitted by KRS  
23 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
24 154.20-258;

25 (j) The research facilities credit permitted by KRS 141.395;

26 (k) The employer High School Equivalency Diploma program incentive credit  
27 permitted by KRS 151B.402;

- 1 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 2 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 3 (n) The clean coal incentive credit permitted by KRS 141.428;
- 4 (o) The ethanol credit permitted by KRS 141.4242;
- 5 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 6 (q) The energy efficiency credits permitted by KRS 141.436;
- 7 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
- 8 permitted by KRS 141.437;
- 9 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 10 (t) The railroad expansion credit permitted by KRS 141.386;
- 11 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 12 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 13 (w) The distilled spirits credit permitted by KRS 141.389;
- 14 (x) The film industry credit permitted by KRS 141.383 for applications approved
- 15 on or after April 27, 2018, but before January 1, 2022;
- 16 (y) The inventory credit permitted by KRS 141.408;
- 17 (z) The renewable chemical production tax credit permitted by KRS 141.4231;
- 18 and
- 19 (aa) The Education Opportunity Account Program tax credit permitted by KRS
- 20 141.522.
- 21 ~~(Z)~~~~(6)~~ After the application of the nonrefundable credits in subsection ~~(6)~~~~(5)~~ of this
- 22 section, the refundable credits shall be taken in the following order:
- 23 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 24 (b) The certified rehabilitation credit permitted by KRS 171.3961, 171.3963, and
- 25 171.397(1)(b); and
- 26 (c) The film industry tax credit permitted by KRS 141.383 for applications
- 27 approved prior to April 27, 2018, or on or after January 1, 2022.

1           ➔Section 4. There is hereby appropriated General Fund moneys in the amount of  
2 \$1,150,000,000 in fiscal year 2021-2022 to the individual income advanced tax credit  
3 disbursement fund established in Section 1 of this Act.

4           ➔Section 5. Whereas the economic impact of COVID-19 on Kentucky's citizens  
5 is of the utmost importance, an emergency is declared to exist, and this Act takes effect  
6 upon its passage and approval by the Governor or upon its otherwise becoming a law.