



KENTUCKY DEPARTMENT OF
REVENUE

Andy Beshear, Governor
Commonwealth of Kentucky

Holly M. Johnson, Secretary
Finance and Administration Cabinet

Thomas B. Miller
Commissioner

ANNUAL REPORT

FY 2023-24

**TEAM
KENTUCKY**

FINANCE AND
ADMINISTRATION CABINET

REVENUE.KY.GOV





KENTUCKY DEPARTMENT OF REVENUE

Fairness

We are committed to the unbiased administration of tax laws.

Integrity

We conduct ourselves in a manner that promotes public confidence and safeguards taxpayer information.

Respect

Our goal is to treat every taxpayer interaction with the highest regard for civility.

Service

Serving taxpayers with expertise, pride, professionalism, and enthusiasm is our highest priority.

Teamwork

We pledge to work hand in hand with taxpayers and community partners. We are "One Department, One Team."

Mission Statement

As part of the Finance and Administration Cabinet, the mission of the Kentucky Department of Revenue is to administer tax laws, collect revenue, and provide services in a fair, courteous, and efficient manner for the benefit of the Commonwealth and its citizens.



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Andy Beshear
GOVERNOR

**FINANCE AND ADMINISTRATION CABINET
DEPARTMENT OF REVENUE
OFFICE OF THE COMMISSIONER**

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Holly M. Johnson
SECRETARY

Thomas B. Miller
COMMISSIONER

December 27, 2024

The Honorable Andy Beshear
Commonwealth of Kentucky
The State Capitol
Frankfort, KY 40601

Dear Governor Beshear:

I am proud to present the Annual Report of the Department of Revenue for the fiscal year July 1, 2023, through June 30, 2024. This report reflects the immense amount of work done by the dedicated professionals who comprise the Department of Revenue.

Amongst many things, over 150 of the Department's employees continued working tirelessly full-time, and hundreds of others part-time, on the multi-year tax integration system project which will combine over 100 different tax types into one system as well as provide a taxpayer portal that will deliver a more efficient means of finding taxpayer information and more self-service features than currently available. This first phase of the project has been ongoing for four (4) years and is now coming to fruition, with our projected go live in the first quarter of 2025.

We also constructed a training facility on the ninth floor of the State Office Building. It is a state-of-the-art facility that will serve the department well with our integrated tax system training as well as the on-going training all Revenue employees receive throughout every year to remain current in tax administration.

Department of Revenue:

- Collected more than 15.5 billion of taxes and related payments to the General Fund, which is a 2.8% increase (approximately \$423 million) over last year's final General Fund amount.
- Collected more than \$1.87 billion of taxes and related payments to the Road Fund, which is a 6.9% increase (approximately \$121 million) over last fiscal year's final Road Fund amount.
- Successfully processed and posted over 7 million transactions.

Finally, as President of the Southeastern Association of Tax Administrators (SEATA) we hosted a successful annual conference in Louisville, July 14 through the 17, with an opening ceremony at Churchill Downs, numerous informative speakers, and break-out sessions with a closing ceremony at the Muhammad Center with eleven member states in attendance. With over 500 attendees (largest attendance ever), it was a privilege to showcase the beauty of the Bluegrass.

I'm honored to be part of Team Kentucky,

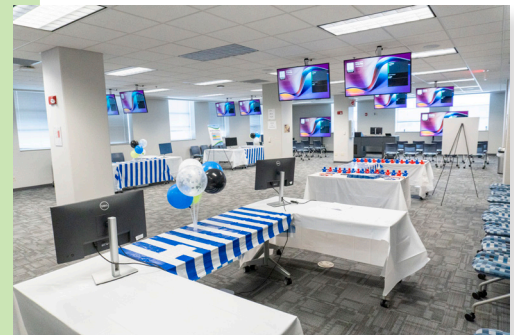
A handwritten signature in blue ink that reads "Thomas B. Miller".

Thomas B. Miller
Commissioner

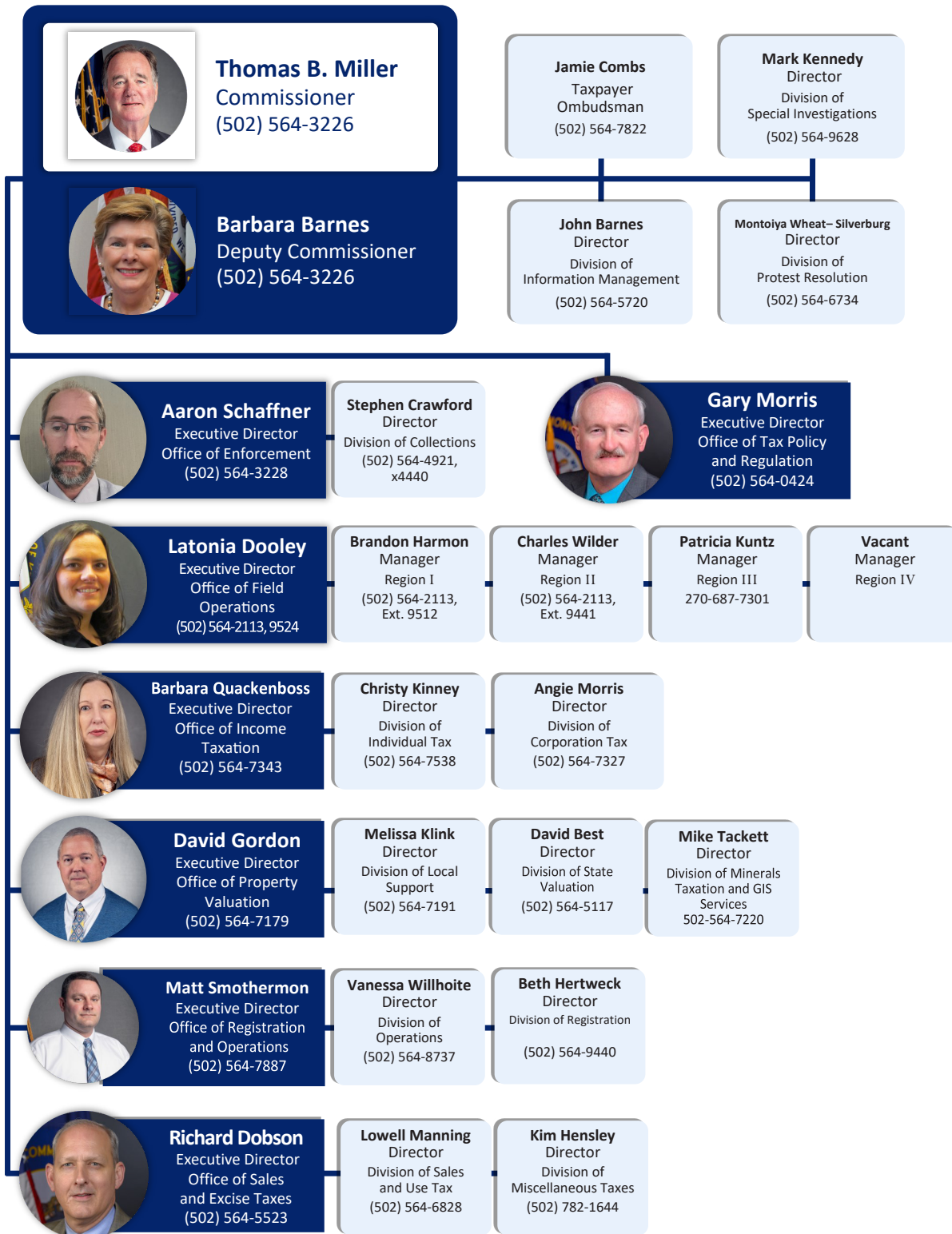


2024 HIGHLIGHTS

- **2.8% Increase over last year's General Fund amount**
- **7% Increase over last year's final Road Fund**
- **Construction of a training facility at state office building**
- **Hosted the Southeastern Association of Tax Administrators (SEATA) conference in Louisville**



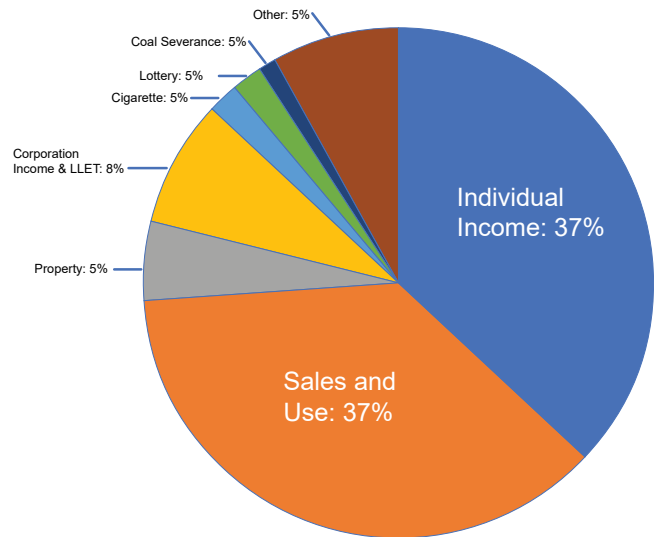
KENTUCKY DEPARTMENT OF REVENUE



REVENUE RECEIPTS AND GROWTH RATES

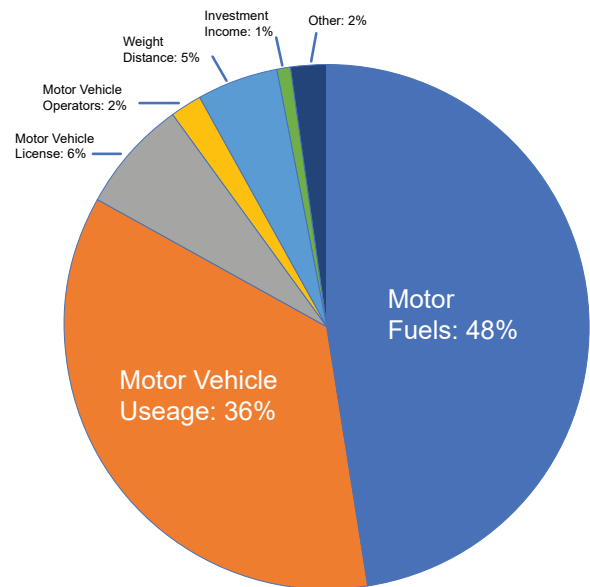
General Fund Revenue Compared To Last Year (\$ Millions)

	Full Year		Growth Rate
	FY 24	FY 23	FY 24
Individual Income	5,807.5	5,843.9	-0.6
Sales and Use	5,802.6	5,576.3	4.1
Property	808.2	774.4	4.4
Corp Income & LLET	1,249.1	1,221.6	2.3
Cigarette Taxes	270.5	299.3	-9.6
Lottery	343.6	337.0	2.0
Coal Severance	77.8	96.6	-19.4
Other	1,212.0	998.7	21.4
Total	15,571.3	15,147.7	2.8



Road Fund Revenue* Compared To Last Year (\$ Millions)

	Full Year		Growth Rate
	FY 24	FY 23	FY 24
Motor Fuels	905.4	798.3	13.4
Motor Vehicle Usage	671.0	660.3	1.6
Motor Vehicle License	119.5	126.7	-5.7
Motor Vehicle Operators	32.7	29.7	9.9
Weight Distance	86.8	87.7	-1.1
Investment Income	14.6	6.3	131.7
Other	44.5	44.2	0.7
Total	1,874.6	1,753.3	6.9



*includes revenue collected and deposited by DOR and other agencies

TAXPAYER SERVICE

The Department of Revenue supports 10 Taxpayer Service Centers (TSCs) throughout the Commonwealth. DOR employees at these TSCs assist taxpayers with a range of tax matters involving all tax types.

1 Paducah: (270) 575-7148
2928 Park Avenue, Suite G

2 Hopkinsville: (270) 889-6521
181 Hammond Drive

3 Owensboro: (270) 687-7301
401 Frederica Street, Building C, Suite 201

4 Bowling Green: (270) 746-7470
201 West Professional Park Court

5 Louisville: (502) 595-4512
600 W. Cedar Street, 2nd Floor West

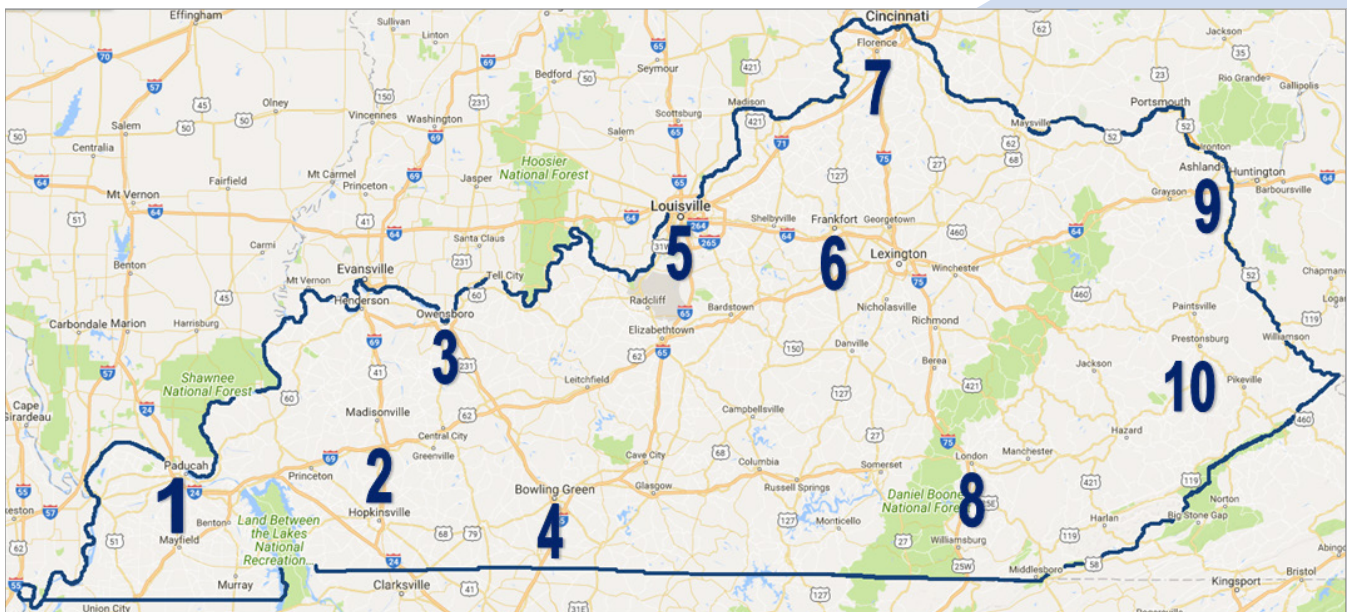
6 Frankfort: (502) 564-5930
501 High Street, Station 38

7 Northern Kentucky: (859) 371-9049
7310 Turfway Road, Suite 190, Florence

8 Corbin: (606) 528-3322
15100 North US 25E, Suite 2

9 Ashland: (606) 920-2037
1539 Greenup Avenue

10 Pikeville: (606) 433-7675
126 Trivette Drive, S 203



OFFICE OF THE COMMISSIONER

Division of Information Management

Division of Protest Resolution

Division of Taxpayer Ombudsman

Special Investigations Division

The Division of Information Management provides application development and support, business analysis, employee training, communications content development, subject matter expertise, and security services to support DOR's tax administration responsibilities. The division continues to focus on technology modernization while maintaining legacy system stability. In 2024, we continued modernizing our security approach and protocols to elevate our protection of sensitive data to meet industry standards.

The division continued the DOR integrated system (doris) capital project to modernize existing systems and integrate them into a comprehensive tax administration system and portal. The project team completed nearly 99% of the development and configuration work to accomplish the first phase (of three) of the project. We completed three cycles of Model Office Testing (MOT) to demonstrate the new system to system users, testers, and trainers in preparation for the system's Go-Live date.

To prepare DOR leadership, staff, and other stakeholders for the transition to a modern, comprehensive tax system, the division implemented a formal Organizational Change Management (OCM) effort. This effort involves strategies and tasks to spread awareness, promote ownership, and provide overall insight into the steps involved for a successful Go-Live and system implementation. Activities included doris festivals to demonstrate the new portal and functionality to DOR staff, one-on-one and group discussions concerning process changes, and leadership guidance for championing the changes associated with such a large system transition.

To support the large-scale effort to train staff on the new system, DOR built a modern training facility in the Kentucky State Office Building. This technology-focused facility will allow project leaders and Subject Matter Experts (SMEs) to train all DOR staff on the new system, host project planning activities as part of the Agile project management approach, provide spaces for individual learning and breakout training sessions among other DOR activities. The doris SMEs also used this facility to receive specialized SAFE (Scaled Agile Framework) training to support current and future project activities. Twenty-five of the SMEs achieved their SAFE certification.

The division successfully established a Change Control Board and Change Policy to allow review of technical projects that could impact other areas in the department. The division continues to play a leading role in the upgrade of legacy applications and has successfully assisted in the development and transition to User Acceptance Testing of the Mail Log, Inheritance Tax System, and Protest Resolution legacy applications. We continued to support over 120 DOR applications, including technology upgrades and application enhancements. We launched initiatives to use modern, leading-edge technologies to enhance our security footprint of citizen-facing and workforce applications. For applications that use older technologies and will not be incorporated into doris, development has started to standardize these systems using modern application architecture and methodologies. We also retired and replaced some obsolete systems, such as the application that supports Unmined Mineral Taxes (UMAST).

The division continued expanding and implementing modern security strategies and processes to protect system information held by or processed by the department. In April, the Security and Disclosure Office (SDO) launched the Zero-Trust Security Model (ZTSM) initiative to provide a framework and blueprint for moving the department to a more secure posture in the information management sphere. We began an aggressive Least Privilege campaign to ensure that every user or system only has access to the minimum amount necessary to perform their duties and functions. To this end, we've removed over 240 local admin accounts, over 20,000 mainframe datasets, and disabled more than 800 Mainframe accounts. Moreover, we audited 52 applications which resulted in the identification and removal of 1,034 inactive accounts.

The SDO continued working internally and with the Commonwealth Office of Technology (COT) to resolve

OFFICE OF THE COMMISSIONER

Division of Information Management

Division of Protest Resolution

Division of Taxpayer Ombudsman

Special Investigations Division

findings from previous audits by the Internal Revenue Service (IRS). We resolved and closed 633, leaving only 316 of the original 949 findings by the IRS. We also upgraded physical security at KSOB and some taxpayer service centers by installing lockable server racks and modernizing the security camera systems and software. Additionally, we modernized our multifunction printer device processes to require that users authenticate activities by requiring access to devices with their state ID badge and Active Directory credentials.

The division partnered with COT on four security-related projects. These initiatives included:

- leveraging technology to segment our infrastructure and applications to remove unnecessary accesses to our servers.
- conducting monthly automated scans of our servers to ensure compliance with regulatory requirements.
- conducting penetration tasks by “Grey Hat” hackers to test our systems and applications for vulnerabilities and exploitation.
- using server utilities to review all server logs and activities and alerting technicians and security leaders to potential intrusion attempts, inefficiencies, and other risks.

The division's Employee Relations and Training Branch (ERTB) made significant strides in 2024, achieving several key milestones in employee onboarding, training, and operational support. Between January and June, 58 new hires successfully completed the new employee onboarding (NEO) program. ERTB also developed and delivered the doris Train the Trainer (TTT) program, which trained 41 DOR employees who will lead training activities for the remainder of the department. In addition, ERTB created comprehensive support materials for doris End User Training (EUT), including Standard Operating Procedure (SOP) examples and templates, and provided training to TTT participants on available resources. Other notable achievements included the creation of 20 SOPs and the development of a Microsoft PowerPoint training course. The ERTB also produced various training videos and graphics, developed a doris NEO introductory video, as well as videos for the 2024 Southeastern Association of Tax Administrators Conference and the Explore doris Festival.

The Division of Protest Resolution is responsible for managing all formal protests filed with DOR (except residential real estate protests). The Division of Protest Resolution independently reviews each case before attempting to resolve the matter directly with the taxpayer. Protests can encompass all tax types and typically involve a taxpayer disagreement regarding a legal interpretation and/or action taken by DOR. Tax protests relate to assessments and denials of full or partial tax refund requests.

- Received 314 new tax protest cases.
- Resolved 226 tax protest cases and collected in excess of \$57.7 million as a result.

The Division of the Taxpayer Ombudsman receives thousands of telephone, written, and electronic inquiries from taxpayers, tax practitioners, and other government agencies, including the legislative constituent office. The Division of the Taxpayer Ombudsman also maintains the Practitioner Hotline, which provides an avenue of communication between tax practitioners and DOR. The division responds to inquiries encompassing all tax types and acts as a liaison between taxpayers and DOR to ensure protection of taxpayer rights. The Taxpayer Ombudsman provides essential services to citizens of the Commonwealth who need assistance with issues that are not resolved through regular channels.

- Responded to more than 3,515 total telephone inquiries received by the Taxpayer Ombudsman.

OFFICE OF THE COMMISSIONER

Division of Information Management

Division of Protest Resolution

Division of Taxpayer Ombudsman

Special Investigations Division

- Responded to approximately 516 telephone inquiries received by the Practitioner Hotline.

Special Investigations Division is instrumental in upholding the integrity of the Commonwealth's tax system. By investigating allegations of tax law violations, including tax evasion, tax preparer fraud, theft of trust taxes, and the issuance of non-sufficient funds (NSF) checks for tax payments, the Division ensures compliance and legal standards are maintained.

Key Responsibilities and Actions:

- **Investigation of Tax Law Violations:** The Division investigates potential breaches of tax laws to ensure compliance and uphold the Commonwealth's legal standards.
- **Recommendation for Criminal Prosecution:** When sufficient evidence is uncovered, the Division recommends criminal prosecution to hold offenders accountable and deter future violations.
- **Legal Representation and Coordination:** Representing the Department of Revenue (DOR) in criminal tax cases, the Division collaborates closely with law enforcement agencies and Commonwealth Attorneys to ensure a unified and effective approach to prosecuting criminal tax activities.
- **Collaboration with Prosecutors:** The Division works together with prosecutors across the Commonwealth to bring legal actions against tax law violators.

Through these efforts, the Special Investigations Division not only enforces tax laws but also protects the financial interests of the Commonwealth and its citizens by ensuring everyone pays their fair share. The Division fosters public trust and compliance with the tax system.

Fiscal Year 2023-2024 Overview:

- **Restitution Payments Received:**
 - 07/01/23 - 12/31/23: \$44,442.93
 - 01/01/24 - 06/30/24: \$40,479.59
 - **Total for the Fiscal Year:** \$84,922.52
- **Number of Cases Received:**
 - **Complaints:**
 - 07/23 - 12/23: 93 Complaints
 - 01/24 - 06/24: 81 Complaints
 - **Total Complaints:** 174
 - **Criminal Cases:**
 - 07/23 - 12/23: 10 Criminal Cases
 - 01/24 - 06/24: 18 Criminal Cases
 - **Total Criminal Cases:** 28
- **Cases Still Open:**
 - **Civil Cases:**
 - 07/23 - 12/23: 5 Civil Cases Open
 - 01/24 - 06/24: 0 Civil Cases Open
 - **Total Civil Cases Open:** 5
 - **Criminal Cases:**
 - 07/23 - 12/23: 6 Criminal Cases Open
 - 01/24 - 06/24: 14 Criminal Cases Open
 - **Total Criminal Cases Open:** 20
- **Indictments:**
 - 07/23 - 12/23: 3 Indictments
 - 01/24 - 06/24: 2 Indictments
 - **Total Indictments:** 5
 - **Total Amount:** \$223,979.52

OFFICE OF ENFORCEMENT

Division of Collections

The **Division of Collections** works with taxpayers to resolve their tax liabilities and debts. The division implements all administrative and legal actions available to enforce the collection of unpaid tax obligations owed to the Commonwealth. The division collected a total of over \$294 million in Fiscal Year 2023-24. Most collections come from businesses or individuals. The amount collected from businesses was over \$169 million and the amount from individuals was over \$104 million. The remaining amount of collections was from various other tax types.

FY 2023-24

Business	\$169,015,673.01
Individual	\$56,151,000.52
Joint	\$48,075,384.83
Miscellaneous	\$11,038,759.28
Property Tax	\$64,964.15
Responsible Party	\$299,484.29

The Division of Collections engages in collection efforts for external enterprise agencies as contractually agreed upon and collected more than \$10 million of debt on their behalf. A breakdown of agencies and collected amounts are below.

	FY 2023-24	Cumulative Total
Board of Nursing	\$5,834.19	\$377,198.25
CHFS – Legal Services	\$930.63	\$45,952.79
Crime Victims Compensation Board	\$18,258.54	\$212,039.25
Department of Medicaid Services	\$3,243.91	\$1,262,724.21
Department of Financial Institutions	\$11,626.43	\$160,878.59
Eastern Kentucky University	\$2,029,595.70	\$8,291,215.83
Executive Branch Ethics Commission	\$684.00	\$684.00
Kentucky Community and Technical College Systems	\$374,223.06	\$88,390,974.13
Kentucky Higher Education Assistance Authority	\$574,283.66	\$5,745,595.47
Kentucky Labor Cabinet	\$114,305.07	\$1,712,077.97
Kentucky State University	\$10,788.00	\$251,393.92
Morehead State University	\$22,588.69	\$15,481,201.03
Murray State University	\$1,074,572.14	\$6,104,112.03
Northern Kentucky University	\$1,613,142.10	\$15,371,453.77
The University of Kentucky	\$2,036,297.88	\$14,043,645.21
Western Kentucky University	\$2,117,680.79	\$12,416,386.06

2024 Statistics

- Incoming and Outgoing Phone Calls: 216,610
- Outgoing Correspondence: 419,054
- In-Person Conferences: 1010
- Correspondence Received and Worked: 103,739

OFFICE OF FIELD OPERATIONS

4 Regional Divisions
10 Taxpayer Service Centers

The Office of Field Operations (OFO) consists of 10 Taxpayer Service Centers (TSCs) strategically located throughout the Commonwealth of Kentucky. Through its TSCs, OFO serves two critical functions: (1) to provide direct assistance to taxpayers in close physical proximity to the localities where they live and work; and (2) to implement DOR compliance measures, primarily in the form of field audits.

Services available to taxpayers at the TSCs include receiving assistance to help understand and resolve tax bills or outstanding collection matters; receiving answers related to filing or amending returns; registering a tax account for a new business; receiving temporary permits for transient vendors engaging in sales within the Commonwealth; and having a local DOR liaison with the Central Office on other tax matters. Also, OFO partners with the Internal Revenue Service (IRS) and each TSC serves as a Volunteer Income Tax Assistance (VITA) site that provides free tax return preparation and filing assistance to eligible low-income individuals and families as well as employees of the Commonwealth.

OFO serves an essential role in DOR compliance initiatives and has developed audit and compliance functions that ensure fair and equitable tax treatment for taxpayers. OFO selects and conducts field audits throughout all 120 Kentucky counties as well as many of the contiguous United States.

- Assessed more than \$67 million of tax due as a result of the 692 audits conducted.
- Assessed over \$2.4 million of tax due as a result of other compliance measures.
- Collected more than \$1.7 million from approximately 4,500 out-of-state or unregistered transient vendors identified by OFO staff at approximately 700 local events across the Commonwealth.
- Collected \$51 million in payments through taxpayer assistance programs.
- Received and responded to more than 39,000 phone calls from taxpayers and tax professionals.
- Received and responded to over 16,000 in-person inquiries from taxpayers who visited TSCs.
- Prepared 1,667 individual income tax returns through OFO VITA sites.

OFFICE OF INCOME TAXATION

Division of Individual Tax Division of Corporation Tax

The Office of Income Taxation consists of two divisions: (1) Individual Income Tax and (2) Corporation Tax. After DOR receives tax returns and inputs the information and images into its databases, the Office of Income Taxation assumes responsibility for the continued processing and careful review of individual, corporate, limited liability entity, pass through entity, and withholding tax returns. In calendar year 2024, DOR received more than:

- 2.1 million individual income tax returns.
- 315,000 corporate income and pass-through entity tax returns.
- 1,080,422 withholding tax returns.

The **Division of Individual Tax** and the **Division of Corporation Tax** each perform a vast array of common services for taxpayers across the Commonwealth. Although one division is focused on individuals and the other on businesses, both divisions carefully review tax returns; implement compliance measures; assist thousands of taxpayers and preparers with general and specific issues; coordinate efforts with other DOR offices and government agencies; administer millions of dollars of tax credits; implement federal and state government cooperative compliance programs; and develop income and withholding tax forms and instruction booklets, among a number of other operational tasks. For the fiscal year ended June 30, 2024, the Office of Income Taxation effectively administered compliance initiatives and provided taxpayer assistance.

Compliance Initiatives

- Assessed over \$45.1 million of individual income tax due and refund request reductions through compliance measures.
- Assessed more than \$41.3 million of corporate income and pass through entity tax due and refund request reductions through compliance measures.
- Assessed over \$36.3 million of withholding tax due through compliance measures.

Taxpayer and Preparer Assistance

- Received and responded to approximately 19,770 webmaster inquiries from taxpayers.
- Received and responded to over 60,387 other correspondence inquiries from taxpayers.
- Received and responded to more than 146,803 phone calls involving individual and withholding tax inquiries from taxpayers and preparers.
- Received and responded to approximately 26,000 calls involving corporate and pass through entity tax inquiries from taxpayers and preparers.
- Processed over 15,796 corporate "Letter of Good Standing" requests.

Electronic Filing of Income Tax Returns

- 94% of individual income tax returns were filed electronically in calendar year 2024.
- 54% of corporate income tax returns were filed electronically in calendar year 2024.

OFFICE OF INCOME TAXATION

Division of Individual Tax
 Division of Corporation Tax

Tax Credits

The Division of Corporation Tax administers different incentive tax credits for the Commonwealth. Some examples and the tax credit amounts claimed in Fiscal Year 2023-24 are listed below.

Examples of Economic Development Tax Credits Managed by DOR (FY 2023-24)

Kentucky Business Investment	\$48,720,859
Kentucky Industrial Development Act	\$1,275,167
Kentucky Industrial Revitalization Act	\$2,477,791
Kentucky Rural Economic Development Act	\$4,306,953

Examples of Additional Tax Credits Managed by DOR (FY 2023-24)

Distilled Spirits Ad Valorem	\$238,765
Kentucky Entertainment Incentive	\$28,422,602

OFFICE OF PROPERTY VALUATION

Division of Local Support

Division of State Valuation

Division of Minerals Taxation and GIS Services

The **Office of Property Valuation (OPV)** is composed of three divisions: Local Support, State Valuation, and Minerals Taxation and GIS Services. All three divisions oversee and address different aspects of state and local property valuation and property tax matters.

The **Division of Local Support** supervises and assists the property valuation administrators (PVAs), sheriffs, and county clerks in all 120 Kentucky counties with property tax assessment and collection duties. Further, the Division of Local Support provides guidance and establishes policies involving budgets, payroll, accounting, and administrative support for all PVA offices.

The Division of Local Support hosted twenty-three (23) in-person property tax training courses with 469 participants during the 2024 fiscal year. The annual OPV Conference on Assessment Administration was held in Owensboro Kentucky in calendar year 2023.

One special PVA qualifying examination was conducted to fill two (2) vacancies in PVA offices during the 2024 fiscal year.

The Division supervised the annual local collection of property taxes in the fall of 2023 and continued through spring of 2024, totaling more than \$4.3 billion in revenue for the Commonwealth and local jurisdictions, including:

- \$808 million in property tax revenue for the Commonwealth;
- \$2.3 billion of property tax revenue for Kentucky's school districts; and
- \$410.6 million in property tax revenue for local county fiscal courts.

The **Division of State Valuation** administers all state-assessed property taxes, including public service property tax and motor vehicle property tax, as well as tangible and intangible tax programs. The Division of State Valuation also plays a critical role in the valuation of property of public service companies, valuation of motor vehicle property tax, and the valuation of tangible and intangible property. In FY2024, the division:

- Determined assessment values of over \$59 billion related to public service and centrally assessed companies and collected more than \$104 million in associated taxes, including:
 - \$79.3 million from public service companies;
 - \$15.9 million from telecommunications and video providers;
 - \$2.8 million from distilled spirits companies;
 - \$3.9 million from commercial watercraft companies;
 - \$1.4 million from railroad carline companies; and
 - \$500 thousand from landfill companies.
- Determined assessment values of \$95 billion related to bank deposits and collected more than \$952,000 in associated taxes.

OFFICE OF PROPERTY VALUATION

Division of Local Support

Division of State Valuation

Division of Minerals Taxation and GIS Services

- Assessed domestic life insurance company capital and reserve values in excess of \$1.8 billion.
- Assessed tangible, omitted tangible, and compliance tangible personal property values and collected over \$123 million in related taxes, including:
 - \$112 million of tangible personal property tax; and
 - \$11 million of omitted tangible personal property tax.
- Collected payments related to \$11.9 million of Tennessee Valley Authority (TVA) payments in lieu of tax distributions.
- Determined assessment values of over \$45 billion related to motor vehicles and boats and collected more than \$208 million in associated taxes, including:
 - \$195 million of motor vehicle property tax;
 - \$6.4 million of motorboat property tax; and
 - \$6.8 million of apportioned vehicle fees.
- The State Valuation Division continues to collaborate with the Kentucky Department of Transportation's Kentucky Automated Vehicle Information System (KAVIS) team to ensure the new system, implemented for 2024, is providing the reports needed for DOR and OPV management to make vital business decisions pertaining to motor vehicle taxation, and to ensure all processes are complete for valuation purposes for the 2025 assessment year.

The **Division of Minerals Taxation and GIS Services** assesses minerals and provides technical support to PVAs for Geographic Information Systems (GIS) mapping projects.

The **Minerals Taxation** portion of the division is responsible for administering both the minerals severance and the unmined minerals property taxes, primarily for coal, limestone, oil, and gas.

Severance tax collections were over \$135.27 million from mining and extraction companies, including:

- \$8.85 million for natural gas severance;
- \$93.81 million for coal severance;
- \$26.56 million for solid minerals severance; and
- \$6.06 million of oil production severance.

Unmined mineral assessments totaled more than \$990 million, including:

- \$325.32 million for oil assessments;
- \$346.44 million for natural gas assessments;
- \$98.25 million for limestone assessments;
- \$126 thousand for clay assessments; and
- \$219.46 million for coal assessments.

Unmined coal property tax assessing resumed in FY 2024 after a years-long pause to build and test a new software system. The unmined coal data included in this report is for the year 2021.

OFFICE OF PROPERTY VALUATION

Division of Local Support

Division of State Valuation

Division of Minerals Taxation and GIS Services

The **PVA GIS Services Branch** in the division coordinates PVA mapping projects and provides GIS technical support and training to PVA offices. There were six (6) GIS classes held in FY 2024. The branch provides many support services to PVA offices, including:

- Helping to create, modify, and maintain PVA GIS mapping data. The staff scans PVA maps and county clerk plats for the reproduction and geo-referencing into a county's GIS program, ensuring accurate updates to PVA parcel lines.
- Assisting PVAs in selling data and maps to the public and commercial entities, with 100% of the revenue from these sales returned to the PVA offices.
- Digitizing USDA soil data for PVAs, allowing for accurate agricultural value assessments.
- Assisting PVA offices in converting building sketches into a digital format for their GIS program. Creating digital building footprints in GIS, along with digital photos, allows PVA offices to better assist the public by providing quick access to more accurate data. This process also helps PVAs when comparing their existing GIS data to new aerial photographs, allowing them to find new structures and any changes to existing structures more easily.
- Testing hardware, primarily tablets, for PVA fieldwork as a replacement for paper maps, property cards, boxes, and digital cameras normally used during PVA field staff property inspections, increasing efficiency both in the field and in the PVA office.

In FY 2024, the division's Information Technology Support personnel deployed 416 monitors, 288 desktops, 36 laptops, and 102 tablets to PVA offices. The majority of this hardware was provided through the Kentucky General Assembly's PVA modernization funding.

OFFICE OF SALES AND EXCISE TAXES

Division of Sales and Use Tax Division of Miscellaneous Taxes

The Office of Sales and Excise Taxes (OSET) is comprised of two divisions: (1) Sales and Use Tax and (2) Miscellaneous Taxes. Both divisions carefully review tax returns; implement compliance measures; assist taxpayers and tax preparers with general and specific issues; coordinate efforts with other DOR offices and outside agencies; and develop sales, use, and miscellaneous tax publications. OSET participates in workgroups and related initiatives sponsored through the national Streamlined Sales Tax Governing Board and the Federation of Tax Administrators.

The **Division of Sales and Use Tax** is responsible for administering the sales and use tax, the telecommunications excise and gross revenues taxes, a number of economic development incentive programs involving tax exemptions and tax refunds, and the CMRS 911 fee. The Division of Sales and Use Tax implements compliance measures, including office or “desk” audits; administers a number of tax exemption and authorization programs; receives, adjusts, and responds to taxpayer inquiries; and reviews and processes requests for tax refunds.

The **Division of Miscellaneous Taxes** administers over 40 taxes, conducts systematic field audits, receives, and responds to taxpayer inquiries, reviews, adjusts, and processes tax refund requests, and implements compliance measures. The Division of Miscellaneous Taxes administers both General Fund and Road Fund taxes, including:

- Affordable housing trust fund fee
- Alcoholic beverage taxes
- EV power excise tax
- Cigarette enforcement fee
- Other tobacco products
- Vapor products
- Gasoline tax
- Liquefied petroleum gas tax
- Special fuels taxes
- Petroleum storage tank environmental assurance fee
- Health care provider tax
- Inheritance tax
- Insurance premiums and insurance surcharge taxes
- Legal process tax
- Marijuana and controlled substance tax
- Motor vehicle rental/ride share tax
- Motor vehicle tire fee
- Motor vehicle usage tax
- Loaner-rental program tax
- Public Service Commission annual assessment
- Pari-mutuel excise tax
- Advanced deposit wagering tax
- Rural Electric Cooperative Corporation tax annual assessment
- Rural Telephone Cooperative Corporation tax annual assessment
- Transient room tax
- Utility gross receipts license tax (UGRLT)
- Sports wagering
- Spouse abuse shelter fund

OFFICE OF SALES AND EXCISE TAXES

Division of Sales and Use Tax Division of Miscellaneous Taxes

- Collected more than \$59.7 million through tax compliance programs and refund request reductions.
- Distributed over \$10.3 million to the Kentucky 911 Services Board.
- Continued registration of out-of-state retailers and collected \$352.2 million from remote retailers, including \$245.0 million from third party marketplace sales and \$107.1 million from remote retailer sales.
- Registered and issued over 5,300 agricultural exemption permits this fiscal year for farmers to have the exemption authorization to make exempt purchases. The cumulative total of agricultural exemption permits is over 44,400.
- Implemented and began administration of new taxes for EV Power Excise and Sports Wagering.
- Collected more than \$154.5 million in sales and use tax through the national Streamlined Sales Tax Registration System (2.13% increase compared to prior fiscal year).
 - Over \$123.5 million of the overall total was collected from voluntary Streamlined Sales Tax sellers (16% increase compared to prior fiscal year).
- Distributed over \$20.3 million of transient room taxes to the Tourism, Arts, and Heritage Cabinet.
- Distributed more than \$36.4 million of telecommunications payments to over 1,300 local jurisdictions across the Commonwealth.
- Distributed almost \$7 million from tire tax fees to the Energy and Environment Cabinet.
- Verified and issued 9 sales tax TIF refunds totaling over \$35.2 million.
- Verified and issued 8 tourism attraction project tax refunds totaling more than \$11.5 million.
- Verified and issued 6 Kentucky Enterprise Initiative Act (KEIA) refunds totaling over \$3.7 million.
- Received and responded to more than 83,000 phone calls and over 30,000 electronic inquiries from taxpayers and tax professionals.
- Distributed in excess of \$14 million from Public Service Commission assessments to the Public Service Commission.
- Conducted 70 retail cigarette inspections to ensure compliance with the Tobacco Master Settlement Agreement.
- Collected and distributed more than \$251 million of UGRLT payments to school districts across the Commonwealth.
- Distributed over \$857,000 from legal process fees to the Kentucky Department for Libraries and Archives.
- Conducted the annual Sales Tax Seminar in Frankfort with 7 in-person attendees and approximately 90 virtual attendees.
- Issued 112 Disaster Relief sales tax refunds totaling \$512,852.46.

OFFICE OF REGISTRATION AND OPERATIONS

Division of Registration

Division of Operations

The Office of Registration and Operations consists of two divisions: (1) Registration and (2) Operations. Both divisions work closely with all DOR offices in addition to external agencies.

The **Division of Registration** receives and processes all business tax applications, those received on paper as well as those submitted electronically through Kentucky Business One Stop. The division also receives and processes all business update/cancellation applications. Additionally, the Division of Registration identifies businesses that need to register for business taxes through a variety of compliance programs.

- Processed more than 12,700 tax registration applications and reviewed over 37,300 tax registrations completed through Kentucky Business One Stop.
- Administratively registered over 31,500 non-compliant businesses.
- Reviewed and processed over 15,300 update/cancellation applications.
- Completed more than 204,400 tax account maintenances.
- Generated over \$524 million in additional revenue through compliance efforts.
- Answered more than 94,800 calls from taxpayers and preparers and made over 16,000 outgoing calls regarding business tax registration.

The **Division of Operations** is responsible for receiving documents (including tax returns), capturing, and storing relevant data, receiving and depositing payments, and the processing of tax returns for all tax types.

- Processed more than 2.1 million individual income tax returns in calendar year 2024 (the average processing time was 7 days).
- Processed over \$552.8 million of individual income tax refunds to taxpayers in calendar year 2024 (the average refund amount was \$499 per taxpayer).
- Deposited receipts in excess of \$14.8 billion electronically.
- Prevented the issuance of more than \$38.1 million in fraudulent individual income tax requested refunds through identity theft and fraud prevention efforts.

OFFICE OF TAX POLICY AND REGULATION

Office of Tax Policy and Regulation develops and implements tax policies and programs. It also reviews and provides guidance regarding proposed tax policies, regulations, legislation, and determinations. The Office of Tax Policy and Regulation provides economic and policy analysis for tax policy decisions and acts as a liaison between DOR, the Finance and Administration Cabinet (FAC), and other agencies, especially the Kentucky Legislative Research Commission and Cabinet for Economic Development. The Office:

- Reviewed 138 bills introduced during the 2024 Legislative Session and worked with multiple DOR Offices on the impact of proposed and enacted legislation.
- Reviewed 141 administrative regulations to assure compliance with any law changes.
- Worked with four other DOR offices to administer Tax Increment Financing (TIF) increment issuance. Increments for 17 TIF projects in the amount of 51,009,643.71.
- Answered 2,000 complex tax inquiries.
- Review 23 presentations.
- Worked on 15 legislative proposal forms including bill drafts.

SUMMARY OF TAX LAW CHANGES ENACTED BY THE 2024 GENERAL ASSEMBLY

House Bill 8

Sections 1-3: Extends petroleum storage tank refunds from July 15, 2025, to July 15, 2031.

Section 5: Removes Historical Horse Racing wager allocations from the KY Thoroughbred Breeders Incentive Fund and KY Standardbred Breeders Incentive Fund to redirect those funds to the Horse Racing Commission for aftercare facilities and an equine management internship program.

Section 10: Increases the threshold for collecting and remitting Sales and Use Tax on services from \$6,000 to \$12,000 of gross receipts derived from the sale of those services.

Sections 11-13: Establishes the Qualified Broadband Investment Credit. The credit is nonrefundable and nontransferable and may be claimed against the Individual Income Tax or Corporation Income Tax and the Limited Liability Entity Tax. The credit is based on the Sales and Use Tax paid on certain equipment and services related to investing in a broadband project. The ordering of the credits statute has also been updated to include the Qualified Broadband Investment Credit.

Section 14: Updates conformity date to the Internal Revenue Code to the Code in effect on December 31, 2023, for Income Tax.

SUMMARY OF TAX LAW CHANGES ENACTED BY THE 2024 GENERAL ASSEMBLY

Section 15: Amends Individual Income Tax rate reduction conditions to add that any appropriation from the Budget Reserve Trust Fund (“BRTF”) account that is solely supported by moneys from the BRTF and specifically identified in the appropriation language is not a General Fund appropriation for purposes of the rate reduction conditions.

Section 16: Amends the effective date of the deferred tax deduction to tax years beginning on or after January 1, 2026. No deferred tax deduction may be claimed on a corporation income tax return prior to January 1, 2026.

Section 17: Extends refunds for Coal Severance Tax on exported coal through July 1, 2026.

Sections 22-27: Requires the Department of Revenue’s Office of Tax Policy and Regulation to publish tax forms and administrative writings on the Department’s website.

Section 28: Allows an additional deduction for bad debts in the calculation of the Motor Vehicle Rental or Ride Share Excise tax.

Section 32: Extends Waste Tire Fee through June 30, 2026.

Section 35: Excludes a power of appointment that is limited by an ascertainable standard relating to the health, education, maintenance and support of the individual holding the power of appointment, or exercisable only by the individual holding the power in conjunction with another person having a substantial interest in the property subject to the power which is adverse to the exercise of the power in favor of the individual holding the power, the individual's estate, the individual's creditors, or creditors of the individual's estate.

Section 36: Extends income tax exemption for disaster response businesses through 2026.

Sections 37-42: Establishes a Sales and Use Tax exemption for data centers.

House Bill 122

Section 1: Exempts vehicle charging stations with a charging capacity less than 20 kilowatts from the excise tax on electric vehicle charging stations. Effective January 1, 2024.

Sections 3-4: Amends definition of “real property” in the Property Tax statutes to include mains, pipes, pipelines, and conduits for property assessed on January 1, 2024, and January 1, 2025.

SUMMARY OF TAX LAW CHANGES ENACTED BY THE 2024 GENERAL ASSEMBLY

Senate Bill 50

Sections 1-3: Allows craft distillers to self-distribute up to 5,000 gallons of distilled spirits to retail licensees. Requires craft distillers to pay the distillers wholesale tax and report self-distributed distilled spirits.

Senate Bill 199

Requires DOR to identify a nationally accepted used car valuation guide.



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