



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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VETO MESSAGE FROM THE
GOVERNOR OF THE COMMONWEALTH OF KENTUCKY
REGARDING HOUSE BILL 351 OF THE
2020 REGULAR SESSION

Section 14.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 55, line 13, after “required” delete “:”.

Page 55, line 14, delete “(a)”, and after “KRS 141.040” delete the rest of the line.

Page 55, line 15, in its entirety.

I am vetoing this part because the amendments adopt a new partnership level for tax assessments based upon the new federal partnership audit rules; however, they do not sufficiently provide for the interplay between the new rules and current Kentucky partnerships taxation.

This part also requires the Department of Revenue to levy assessments at the entity level following a federal partnership audit. Although the amendment appears to be drafted using model language created by the Multistate Tax Commission, the taxing officials of the current Administration were not involved in the drafting of this proposal during the 2020 Regular Session. Consequently, several deficiencies in the interplay between the current law and the amended language have been identified, including unclear provisions regarding allocating and apportioning the income from a federal audit adjustment by multistate businesses, the application of limited liability pass-through credits following a federal partnership level audit adjustment, and the effect of inconsistent state laws on multistate partnerships.

Section 20.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 88, line 6, delete the striking of the language.

Page 88, line 7, after “KRS 141.408” delete “; and”.

Page 88, line 8, in its entirety.

Page 88, line 9, delete “Act”.

Page 88, line 9, delete the striking of the language.

Page 90, line 10, after “KRS 141.408” delete “; and”.

Page 90, lines 11, in its entirety.

Page 90, line 12, delete "Act".

I am vetoing this part because the provisions establishing a new Renewable Chemical Tax Credit are deficient as they fail to fully establish how the credit is calculated, which must be accomplished by statute.

Section 21.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 93, line 1, after "selling farmer tax credit" delete "; and"

Page 93, line 2, in its entirety.

Page 93, line 3, delete "production credit".

I am vetoing this part because the provisions establishing a new Renewable Chemical Tax Credit are deficient as they fail to fully establish how the credit is calculated, which must be accomplished by statute.

Section 24.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 95, lines 18 through 27, in their entirety.

Page 96, lines 1 through 27, in their entirety.

Page 97, lines 1 through 27, in their entirety.

Page 98, lines 1 through 27, in their entirety.

Page 99, lines 1 through 14, in their entirety.

I am vetoing this part because the provisions establishing a new Renewable Chemical Tax Credit are deficient as they fail to fully establish how the credit is calculated, which must be accomplished by statute.

Section 25.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 99, lines 15 through 27, in their entirety.

Page 100, lines 1 through 27, in their entirety.

Page 101, lines 1 through 27, in their entirety.

Page 102, line 1, in its entirety.

I am vetoing this part because the provisions establishing a new Renewable Chemical Tax Credit are deficient as they fail to fully establish how the credit is calculated, which must be accomplished by statute.

Section 26.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 102, line 2, in its entirety.

Page 102, line 8, delete the striking of the language.

Page 102, line 9, after “2009,” delete “but before January”.

Page 102, line 10, delete “1, 2021,”.

Page 102, line 11, after “(2)” delete in its entirety.

Page 102, lines 12 through 13, in their entirety.

Page 102, line 14, delete “(3)”.

Page 102, line 20, delete “(4)” and delete the striking of the language.

Page 102, line 26, delete “(5)” and delete the striking of the language.

Page 103, line 4, delete “(6)” and delete the striking of the language.

Page 103, line 6, delete “(7)” and delete the striking of the language.

Page 103, line 14, delete “(8)” and delete the striking of the language.

Page 103, line 16, delete “(9)” and delete the striking of the language.

Page 103, line 18, delete “(10)” and delete the striking of the language.

Page 103, line 21, delete “(11)” and delete the striking of the language.

Page 103, line 23, delete “(12)” and delete the striking of the language.

Page 103, line 25, delete “(13)” and delete the striking of the language.

Page 104, line 5, delete “(14)” and delete the striking of the language.

I am vetoing this part because the provisions establishing a new Renewable Chemical Tax Credit are deficient as they fail to fully establish how the credit is calculated, which must be accomplished by statute.

Section 27.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 104, line 20, after “cap” delete the rest of the line.

Page 104, lines 21 through 22, in their entirety.

Page 104, line 23, delete “January 21, 2021”.

Page 104, line 24, after “(c)” delete “For calendar years beginning prior to January 1, 2021,”.

Page 105, line 7, after “(d)” delete the rest of the line.

Page 105, lines 8 through 16, delete in their entirety.

Page 105, line 17, delete “(e)”.

Page 106, line 5, delete the striking of the language.

Page 106, line 6, after “produced” delete “, or renewable chemical producer”.

Page 106, line 8, after “blender,” delete the striking the of language, and after “producer” delete “, or reliable chemical producer”.

Page 106, line 10, delete the striking of the language.

Page 106, line 11, after “producer” delete “, or renewable chemical producer”.

I am vetoing this part because the provisions establishing a new Renewable Chemical Tax Credit are deficient as they fail to fully establish how the credit is calculated, which must be accomplished by statute.

Section 34.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 128, line 26, after “process” delete the striking of the language.

I am vetoing this part because the amendments to the sales tax statutes expanding business machinery exemptions are inadvertently overly broad, introducing uncertainty regarding the machinery eligible for the exemption.

Section 57.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 210, lines 20 through 27, in their entirety.
Page 211, lines 1 through 27, in their entirety.
Page 212, lines 1 through 27, in their entirety.
Page 213, lines 1 through 27, in their entirety.
Page 214, lines 1 through 27, in their entirety.
Page 215, lines 1 through 27, in their entirety.
Page 216, lines 1 through 27, in their entirety.
Page 217, lines 1 through 27, in their entirety.
Page 218, lines 1 through 27, in their entirety.
Page 219, lines 1 through 27, in their entirety.
Page 220, lines 1 through 27, in their entirety.
Page 221, lines 1 through 27, in their entirety.
Page 222, lines 1 through 7, in their entirety.

I am vetoing this part because the amendments adopt a new partnership level for tax assessments based upon the new federal partnership audit rules; however, they do not sufficiently provide for the interplay between the new rules and current Kentucky partnerships taxation.

This part also requires the Department of Revenue to levy assessments at the entity level following a federal partnership audit. Although the amendment appears to be drafted using model language created by the Multistate Tax Commission, the taxing officials of the current Administration were not involved in the drafting of this proposal during the 2020 Regular Session. Consequently, several deficiencies in the interplay between the current law and the amended language have been identified, including unclear provisions regarding allocating and apportioning the income from a federal audit adjustment by multistate businesses, the application of limited liability pass-through credits following a federal partnership level audit adjustment, and the effect of inconsistent state laws on multistate partnerships.

Section 58.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 222, line 8, in its entirety.

Page 222, line 9, after “(1)” delete the striking of the language.

Page 222, lines 10 through 15, delete the striking of the language.

Page 222, line 16, delete the striking of the language.

Page 222, line 18, delete “(2) (a) 1.”.

Page 222, line 23, delete “2.” and delete the striking of the language.

Page 222, line 25, delete “3.” and delete the striking of the language.

Page 223, line 4, delete “4.” and delete the striking of the language.

Page 223, line 10, delete “5.” and delete the striking of the language.

Page 223, line 11, delete the striking of the language.

Page 223, line 12, “adjustment, as defined in Section 57 of this Act” and delete the striking of the language.

Page 223, line 14, delete “Section 57 of this Act” and delete the striking of the language.

Page 223, lines 15 through 16, delete the striking of the language.

Page 223, line 17, delete “6.” and delete the striking of the language.

Page 223, line 24, delete “(b)”.

Page 223, line 26, delete “(c)”.

Page 224, line 2, delete “(d)” and delete the striking of the language.

Page 224, lines 10 through 16, delete the striking of the language.

I am vetoing this part because these amendments adopt a new partnership level for tax assessments based upon the new federal partnership audit rules; however, they do not sufficiently provide for the interplay between the new rules and current Kentucky partnerships taxation.

This part also requires the Department of Revenue to levy assessments at the entity level following a federal partnership audit. Although the amendment appears to be drafted using model language created by the Multistate Tax Commission, the taxing officials of the current Administration were not involved in the drafting of this proposal during the 2020 Regular Session. Consequently, several deficiencies in the interplay between the current law and the amended language have been identified, including unclear provisions regarding allocating and apportioning the income from a federal audit adjustment by multistate businesses, the application of limited liability pass-through credits following a federal partnership level audit adjustment, and the effect of inconsistent state laws on multistate partnerships.

Section 59.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 224, lines 17, in its entirety.

Page 224, line 27, after “provided”, delete “in Section 57 of this Act” and delete the striking of the language.

Page 225, line 1, delete the striking of the language.

I am vetoing this part because these amendments adopt a new partnership level for tax assessments based upon the new federal partnership audit rules; however, they do not sufficiently provide for the interplay between the new rules and current Kentucky partnerships taxation.

This part also requires the Department of Revenue to levy assessments at the entity level following a federal partnership audit. Although the amendment appears to be drafted using model language created by the Multistate Tax Commission, the taxing officials of the current Administration were not involved in the drafting of this proposal during the 2020 Regular Session. Consequently, several deficiencies in the interplay between the current law and the amended language have been identified, including unclear provisions regarding allocating and apportioning the income from a federal audit adjustment by multistate businesses, the application of limited liability pass-through credits following a federal partnership level audit adjustment, and the effect of inconsistent state laws on multistate partnerships.

Section 63.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 237, lines 23 through 27, in their entirety.

Page 238, line 1, in its entirety.

I am vetoing this part because due to the unprecedented increase in unemployment claims filed, the rates for the mainframe computer services have to be adjusted in accordance with contractual arrangements with the outside vendor, and this part would prevent the Commonwealth from being able to continue to increase its capacity and people in need would not be able to receive the help and benefits they are eligible for because of the novel coronavirus (COVID-19) emergency. This part prevents the Commonwealth Office of Technology from adhering to generally accepted accounting principles with regard to internal service funds when certain past rates require subsequent year adjustments to properly align the costs of a service with the rates charged. Also, the appropriations for state agencies in the Act that use the services of the Commonwealth of Technology include the rate adjustments that this provision would prohibit.

Section 73.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 240, lines 7 through 22, in their entirety.

I am vetoing this part because, despite the commendable premise for the legislation in attempting to make publication of advertisements of local government actions more efficient, the provisions of the law would impede the public's ability to receive the complete information of a local government's actions and proposed actions, and further harm newspapers by removing the

requirement that the advertisements be published in a newspaper. In addition, the bill would not result in great savings to local governments across the Commonwealth. The internet-posting provisions of the bill would apply only to urban-county governments, consolidated local governments, charter counties, unified local governments, and counties with a population of 80,000 or more, resulting in smaller savings for smaller local governments. Considering the existing disparity in internet access in Kentucky, the bill requiring internet-only publication would negatively affect the ability of citizens to receive complete notice and information about a local government's actions.


Section 74.

I, Andy Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part:

Page 242, line 22, after “of”, delete “the Secretary of State and”, and after “the Governor by”, delete “respective”.

I am vetoing this part because the amendment would for the first time require the approval of the Secretary of State in addition to the Governor, who under the Kentucky Constitution has the supreme executive power of the Commonwealth as the Chief Magistrate, before changes to an election may be made during a declared state of emergency. This amendment is also unnecessary because, as shown during the state of emergency relating to the novel coronavirus (COVID-19) pandemic, the existing statutory process for ordering changes to an election is effective.

This the ^{13th} day of April, 2020.



Andy Beshear
Governor