Background

The individual income tax was first imposed in Kentucky in 1936. From 1943 to 1960, it was the most productive General Fund revenue source. From 1960 through 1986, it was second only to the sales and use tax. In 1987, it again became the most productive revenue source and continues so today. In FY88 the individual income tax became Kentucky's first billion-dollar tax. Collections from the tax totaled $3.0 billion in FY07, a growth of 4.2 percent over the prior year. This amount accounted for 35.5 percent of total General Fund receipts for the year.

In 1954, Kentucky became the fourth state to adopt a general withholding system. Previously, the law provided for withholding on nonresidents only. The 1954 law also adopted the federal definition of net income, using the Internal Revenue Code as a base, with minor exceptions.

Prior to 1954, Kentucky's income tax was quite different from the federal tax in many ways. The first adoption of the federal code provided uniformity in determining income and itemized deductions and in certain definitions. For example, nothing exists in Kentucky law about such basic elements as medical expenses, most business expenses, and qualifications for dependents. Such items are included by reference to the federal code.

As a legal and revenue precaution, Kentucky does not automatically adopt changes in the federal code, except for changes in accounting provisions and methods. Any adoption of changes made in the federal code require ratification by the General Assembly. Many times the impacts of adopting changes in the federal code on Kentucky taxpayers and General Fund receipts can only be made after extensive studies of the changes. Kentucky's method of adoption helps prevent unanticipated and undesirable results from occurring. Kentucky currently references the Internal Revenue Code in effect on December 31, 2006.

Kentucky income tax law provides for tax rates, credits, a standard deduction, interest and penalties, withholding procedures, and certain other items, independent of the federal law. It encourages husbands and wives to file separately on a combined return because usually a tax savings is involved. The individual income tax return is filed by individuals, including sole proprietors, shareholders in an S corporation, partners in a partnership, and individual members of a limited liability company.

The following rates are currently in effect, for both separately and jointly filed returns.

Current Rate Structure

Table 7. Individual Income Tax Rates

Taxable Income			Rate (%)
First	-	$3,000	2
$3,001	-	$4,000	3
$4,001	-	$5,000	4
$5,001	-	$8,000	5
$8,001	-	$75,000	5.8
Over	-	$75,000	6

Tax Base

The individual income tax is levied on taxable income. Taxable income is computed by reducing gross income by trade or business expenses and the standard deduction ($2,050 for 2007) or, at the option of the taxpayer, itemized deductions. Gross income is defined as gross income under the 2006 federal Internal Revenue Code with certain adjustments.

Kentucky residents are taxed on their net income from all sources with no allocation or apportionment for out-of-state income, but are allowed a limited credit on their return for income taxes paid to other states on income taxed by Kentucky. Nonresidents are taxed on income from sources within Kentucky, from business carried on within Kentucky, and for the performance of services in Kentucky. This includes income from business conducted through partnerships, S corporations and limited liability companies.

Taxable Unit Each individual is taxed on his or her separate income. Married couples may choose to file a joint return. The income of estates, trusts, and receivers is, with minor exceptions, subject to the same provisions as individuals.

Tax Due The taxable period is one year (or less in limited circumstances), usually a calendar year. Taxpayers must use the same accounting period as is used for federal purposes. Taxpayers with income from sources not subject to withholding must, in most cases, file tax liability declarations and pay estimated tax.

The tax return and payment of any remaining tax liability are due on the fifteenth day of the fourth month following the close of the taxable period, April 15 for calendar-year taxpayers. Extensions of time for filing the return are available under limited circumstances.

Table 8. Total Individual Income Tax Expenditures

FY 2008	FY 2009	FY 2010
$2.630 billion	$2.793 billion	$2.997 billion

Tax Expenditures - Exclusions from Income

1. Armed Forces Personnel Benefits and Allowances

Internal Revenue Code Section 112, effective 1996, and
Internal Revenue Code Section 134, effective 1986

The housing and meals provided military personnel, either in cash or in kind, as well as certain amounts of pay related to combat service, are excluded from income subject to tax.

FY 2008	FY 2009	FY 2010
$11.4 million	$11.8 million	$12.3 million

2. Assistance for Adopted Foster Children and Foster Care Payments

Internal Revenue Code Section 131 and 137, effective 2002 and 1978, respectively

Taxpayers who adopt eligible children from the public foster care system can receive monthly payments for the children's significant and varied needs and a reimbursement of up to $2,000 for nonrecurring adoption expenses. These payments are excluded from gross income. This federal provision will sunset for taxable years beginning after December 31, 2010. Additionally, gross income does not include amounts received by a foster care provider.

FY 2008	FY 2009	FY 2010
$2.8 million	$3.0 million	$3.2 million

3. Cancellation of Indebtedness

Internal Revenue Code Section 108, effective 1980

Individuals are not required to report the cancellation of certain indebtedness as current income. If the canceled debt is not reported as current income, however, the basis of the underlying property must be reduced by the amount canceled.

FY 2008	FY 2009	FY 2010
$470,000	$370,000	$270,000

4. Capital Gains - Eminent Domain

Kentucky Revised Statute 141.010(10), effective 1998

Capital gains on property taken by eminent domain are exempt from individual income tax.

FY 2008	FY 2009	FY 2010
Minimal	Minimal	Minimal

5. Disabled Coal Miners

Internal Revenue Code Section 104 and 192, effective 1981

Although it is income to the recipient, disability payments to former coal miners out of the Black Lung Trust Fund are not subject to the income tax.

FY 2008	FY 2009	FY 2010
$1.0 million	$1.1 million	$1.1 million

6. Employee Stock Ownership Plan Provisions

Internal Revenue Code Section 421, effective 1981

Employer-paid contributions to ESOP's are deductible by the employer as part of employee compensation costs. They are not included in the employee's gross income for tax purposes, however, until they are paid out as benefits.

FY 2008	FY 2009	FY 2010
$1.2 million	$1.3 million	$1.3 million

7. Employer Contributions for Medical Insurance and Medical Care

Internal Revenue Code Section 105(b) and 106, effective 1954

Employer-paid health insurance premiums and other medical expenses (including long-term care) are deducted as a business expense by employers, but they are not included in employee gross income. The self-employed also may deduct up to 100 percent of their family health insurance premiums.

FY 2008	FY 2009	FY 2010
$538.4 million	$603.6 million	$674.0 million

8. Employer-Provided Benefits of Premiums on Group Term Life, Accident and Disability Insurance

Internal Revenue Code Section 79(a) and 106, effective 1955

Employer payment of employee group term life insurance premiums for coverage up to $50,000 per employee is excluded from an employee's gross income even though the employer's cost for the benefit is a deductible business expense.

FY 2008	FY 2009	FY 2010
$7.7 million	$7.8 million	$8.0 million

Employer contributions for premiums on accidental injury and accidental death insurance are not included in income by the employee and are deductible by the employer.

FY 2008	FY 2009	FY 2010
$1.0 million	$1.1 million	$1.1 million

9. Employer-Provided Child Care Exclusion

Internal Revenue Code Section 129, effective 1981

Up to $5,000 of employer-provider child care is excluded from an employee's gross income even though the employer's costs for the child care are a deductible business expense.

FY 2008	FY 2009	FY 2010
$3.4 million	$3.6 million	$3.7 million

10. Employer-Provided Educational Assistance

Internal Revenue Code Section 127, effective 1986

Employer-provided educational assistance is excluded from an employee's gross income.

FY 2008	FY 2009	FY 2010
$2.2 million	$2.3 million	$2.4 million

11. Employer-Provided Meals and Lodging

Internal Revenue Code Section 119, effective 1978

Employer-provided meals and lodging are excluded from an employee's gross income even though the employer's costs for these items are a deductible business expense.

FY 2008	FY 2009	FY 2010
$3.2 million	$3.3 million	$3.5 million

12. Federal and Military Retirement Income Received

Kentucky Revised Statute 141.021, effective 1990

A total exclusion is allowed from gross income for federal and military retirement income.

FY 2008	FY 2009	FY 2010
$55.0 million	$57.6 million	$60.5 million

13. Financial Institutions Structured as S Corporations

Kentucky Revised Statute 141.010(10), effective 1997

Distributive shares of income from financial institutions structured as S Corporations are excludable from gross income for individual taxpayers.

FY 2008	FY 2009	FY 2010
Minimal	Minimal	Minimal

14. Gain on the Sale of a Personal Residence

Internal Revenue Code Section 121, effective 1997

A homeowner can exclude from tax up to $500,000 ($250,000 for singles) of the capital gains from the sale of a principal residence. The exclusion may not be used more than once every two years.

FY 2008	FY 2009	FY 2010
$127.7 million	$134.1 million	$140.8 million

15. Exclusion of GI Bill Benefits

Internal Revenue Code Section 72(n), and 104, effective 1966

GI bill benefits paid by the Veterans Administration are excluded from gross income.

FY 2008	FY 2009	FY 2010
$920,000	$990,000	$1.05 million

16. Income Earned Abroad by U.S. Citizens

Internal Revenue Code Section 911 and 912, effective 1985

U.S. citizens who lived abroad, worked in the private sector, and satisfied a foreign residency requirement may exclude up to $80,000 in foreign earned income from U.S. taxes. In addition, if these taxpayers receive an allowance for foreign housing from their employers, they may also exclude the value of that allowance. Federal civilian employees and Peace Corps members who work outside the continental United States are allowed to exclude from U.S. taxable income allowances they receive to compensate them for the relatively high costs associated with living overseas. The allowances supplement wage income and cover expenses like rent, education and the cost of travel to and from the United States.

FY 2008	FY 2009	FY 2010
$12.0 million	$12.6 million	$13.2 million

17. Interest on Life Insurance Savings

Internal Revenue Code Section 101(a), effective 1978

Favorable tax treatment is provided for investment income within qualified life insurance and annuity contracts. Investment income earned on qualified life insurance contracts held until death is permanently exempt from income tax. Investment income distributed prior to the death of the insured is tax-deferred, if not tax-exempt. Investment income earned on annuities is treated less favorably than income earned on life insurance contracts, but it benefits from tax deferral without annual contribution or income limits generally applicable to other tax-favored retirement income plans.

FY 2008	FY 2009	FY 2010
$65.4 million	$74.7 million	$83.0 million

18. Miscellaneous Fringe Benefits

Internal Revenue Code Section 132, effective 1992

Any fringe benefit which qualifies as a no-additional-cost service, a qualified employee discount, a working condition fringe, or a de minimis fringe is excluded from income.

FY 2008	FY 2009	FY 2010
$12.3 million	$13.1 million	$13.9 million

19. Passive Loss Rules Exception

Internal Revenue Code Section 469, effective 1993

In general, passive losses may not offset income from other sources. Losses up to $25,000 attributable to certain rental real estate activity, however, are exempt from this rule.

FY 2008	FY 2009	FY 2010
$24.7 million	$25.6 million	$26.2 million

20. Pension Contributions and Earnings from Employer Plans

Kentucky Revised Statute 141.010(10)(d), effective 1983

Employer contributions to pension plans are excluded from an employee's gross income even though the employer can deduct the contributions. In addition, the tax on the investment income earned by the pension plans is deferred until the money is withdrawn.

FY 2008	FY 2009	FY 2010
$159.2 million	$157.8 million	$152.3 million

21. Precinct Workers

Kentucky Revised Statute 141.010(10), effective 1997

Income earned by precinct workers for election training or work at election booths is exempt from income tax.

FY 2008	FY 2009	FY 2010
$100,000	$100,000	$100,000

22. Public Assistance Benefits

Internal Revenue Code Section 61, et. al.

Public assistance or welfare benefits are not taxed. These include Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI) benefits.

FY 2008	FY 2009	FY 2010
$1.6 million	$1.7 million	$1.7 million

23. Private Pensions and Individual Retirement Accounts

Kentucky Revised Statute 141.010(10)(i), effective 1995; and Kentucky Revised Statute 141.0105, effective 1995

Up to $41,110 in benefits received by the taxpayer from private pensions, Individual Retirement Accounts (IRAs), and Roth IRAs is exempted from income.

FY 2008	FY 2009	FY 2010
$144.4 million	$151.0 million	$159.5 million

24. Railroad and Supplemental Railroad Retirement System Benefits

45 USCA Section 228L and Kentucky Revised Statute 141.010(10)(b), effective 1970

All Railroad Retirement Board benefits and supplemental railroad retirement benefits are not taxed. Kentucky has not adopted IRC Sec. 86, which taxes some of these benefits if a taxpayer's income is above a certain level.

FY 2008	FY 2009	FY 2010
$1.3 million	$1.3 million	$1.2 million

25. Scholarship and Fellowship Income

Internal Revenue Code Section 117, effective 1954

Scholarships and fellowships are excluded from taxable income to the extent they pay for tuition and course-related expenses of the grantee. Similarly, tuition reductions for employees of educational institutions and their families are not included in taxable income.

FY 2008	FY 2009	FY 2010
$6.4 million	$6.7 million	$7.1 million

26. Social Security Benefits for Retired Workers, Disabled Workers, and Dependents and Survivors

Internal Revenue Code Section 86, effective 1954 and KRS 141.010(10)(e)

Social Security benefits paid to retired workers and their dependents, to persons who are survivors of deceased workers and to disabled workers and their dependents are not taxed. Kentucky has not adopted IRC Sec. 86 which taxes a portion of these payments if the taxpayer's income is above a certain level.

FY 2008	FY 2009	FY 2010
$147.2 million	$149.1 million	$176.7 million

27. State Employee Pension Benefits and Contributions

Kentucky Revised Statute 141.010(10)(d), effective various dates

Benefits received from state employee, county and local government employee, judicial, teacher and state legislator retirement systems are totally exempt from tax if the recipient retired before December 31, 1997. Persons retiring after December 31, 1997 may be taxed on a portion of the benefits.

FY 2008	FY 2009	FY 2010
$54.2 million	$60.2 million	$71.4million

28. Tobacco Settlement Income

Kentucky Revised Statute 141.010(10), effective 1998

Income received by a producer of tobacco or a tobacco quota owner from a tobacco settlement is exempt from tax.

FY 2008	FY 2009	FY 2010
$6.0 million	$6.0 million	$6.0 million

29. Veteran's Pension, Death and Disability Compensation

Internal Revenue Code Section 104(a)(4), effective 1954

All compensation due to pension payments, death or disability paid by the Veterans Administration is excluded from taxable income.

FY 2008	FY 2009	FY 2010
$13.4 million	$13.8 million	$14.4 million

30. Worker's Compensation Benefits

Internal Revenue Code Section 104(a), effective 1954

Workers compensation benefits, paid to disabled employees or their survivors for employment-related injuries or diseases, are not taxed.

FY 2008	FY 2009	FY 2010
$19.2 million	$19.5 million	$19.7 million

Tax Expenditures - Deductions

31. Casualty and Theft Losses

Internal Revenue Code Section 165, effective 1954

Any uninsured losses incurred by the taxpayer during the tax year as a result of a casualty or theft are deductible as an itemized deduction.

FY 2008	FY 2009	FY 2010
$990,000	$1.02 million	$1.05 million

32. Charitable Contributions

Internal Revenue Code Section 170(c)(b), effective 1978

The deduction ceiling for most charitable contributions is 50 percent of Kentucky adjusted gross income, computed without regard to any net operating loss deduction. Gifts to private nonprofit organizations are limited to 20 percent of AGI. Some capital gain property is limited to 30 percent of AGI.

FY 2008	FY 2009	FY 2010
$176.7 million	$190.7 million	$204.3 million

33. Excess of Percentage over Cost Depletion

Internal Revenue Code Section 613, effective 1981

When property is eligible to be expensed using either the cost or percentage depletion methods, the deduction is whichever is larger. Percentage depletion continues to be deductible as long as there is gross income, even after the taxpayer's basis for property has been reduced to zero.

FY 2008	FY 2009	FY 2010
$330,000	$360,000	$360,000

34. Health Savings Account Deduction

Internal Revenue Code Section 223, effective January 1, 2005

Employee contributions to a Health Savings Account are deductible within the same limitations provided for federal purposes.

FY 2008	FY 2009	FY 2010
$6.5 million	$8.5 million	$9.3 million

35. Home Mortgage Interest

Internal Revenue Code Section 163(a), effective 1954

An itemized deduction is allowed for all interest paid or accrued, on owner-occupied homes, during the taxable year.

FY 2008	FY 2009	FY 2010
$293.8 million	$316.2 million	$340.1 million

36. Individual Retirement Account Contributions

Internal Revenue Code Section 219(a)(b), effective 1982

Individual taxpayers can take advantage of several different IRAs: deductible IRAs, non-deductible IRAs, and Roth IRAs. The annual contributions limit applies to the total of a taxpayer's deductible, non-deductible, and Roth IRAs contributions. The IRA contribution limit is $5,000 in 2008 and is indexed thereafter. Taxpayers whose AGI is below $100,000 can claim a deduction for IRA contributions. The IRA deduction is phased out for taxpayers with AGI between $80,000 and $100,000. The tax on investment income earned by 401(k) plans, non-deductible IRAs, and deductible IRAs is deferred until the money is withdrawn.

FY 2008	FY 2009	FY 2010
$21.8 million	$23.4 million	$26.7 million

37. Interest on Educational Loans

Internal Revenue Code Section 62(a), effective 1997

Up to $2,500 of interest paid on qualifed educational loans is deductible.

FY 2008	FY 2009	FY 2010
$2.7 million	$2.7 million	$2.8 million

38. Job Expenses and Other Miscellaneous Deductions

Internal Revenue Code Section 62, effective various dates

Unreimbursed employee expenses and various other allowable expenses for individuals are deducted from adjusted gross income to the extent that the total expenses exceed 2 percent of adjusted gross income. Examples of these miscellaneous deductions are: moving expenses, alimony, Archer MSAs, interest on educational loans, higher education expenses and health savings accounts.

FY 2008	FY 2009	FY 2010
$32.4 million	$34.5 million	$37.0 million

39. Keogh Plan Contributions

Internal Revenue Code Section 404(a)(8), effecitive 1963

Self-employed individuals can make deductible contributions to their own retirement (Keogh) plans equal to 25 percent of their income, up to an indexed maximum amount of income. Total plan contributions are limited to 25 percent of a firm's total wages. The tax on the investment income earned by Keogh plans is deferred until withdrawn.

FY 2008	FY 2009	FY 2010
$32.8 million	$35.0 million	$38.1 million

40. Medical Expenses

Internal Revenue Code Section 213, effective 1990

Medical and dental expenses in excess of 7.5 percent of Kentucky Adjusted Gross Income are deductible when itemizing deductions.

FY 2008	FY 2009	FY 2010
$16.2 million	$19.1 million	$22.5 million

41. Net Operating Loss Deduction

Kentucky Revised Statute 141.010(11), effective 1980

The Kentucky net operating loss deduction is permitted in computing adjusted gross income. Beginning in 2005, taxpayers are no longer allowed to carry back a net operating loss but may continue to carry forward any net operating losses.

FY 2008	FY 2009	FY 2010
Substantial	Substantial	Substantial

42. Parsonage Allowances

Internal Revenue Code Section 164(a), effective 1954

The value of a minister's housing allowance and the rental value of parsonages are not included in a minister's taxable income.

FY 2008	FY 2009	FY 2010
$1.8 million	$1.9 million	$2.0 million

43. Property Tax on Owner-Occupied Homes

Internal Revenue Code Section 107, effective 2002

State, local and foreign real property taxes are deductible as itemized deductions.

FY 2008	FY 2009	FY 2010
$41.5 million	$41.4 million	$41.3 million

44. Standard Deduction

Kentucky Revised Statute 141.081, effective 1946, various amendments

A taxpayer who does not itemize deductions is permitted a deduction of a predetermined amount referred to as the "standard deduction". The amount of the deduction has been amended several times; under current law it increases based on inflation. For 2007, the standard deduction was $2,050 per taxpayer.

FY 2008	FY 2009	FY 2010
$101.7 million	$103.7 million	$105.8 million

45. State and Local Taxes Other than Home Property Taxes

Internal Revenue Code Section 164(a), effective 1979 and 1990

A taxpayer who itemizes may deduct a nonbusiness state or local personal property tax, a windfall property tax and a local occupational tax.

FY 2008	FY 2009	FY 2010
$91.6 million	$91.3 million	$93.8 million

46. U.S. Production Activities

Internal Revenue Code Section 199, effective 2004

This provision was introduced by the American Jobs Creation Act (AJCA) in 2004 and allows for a deduction equal to a portion of taxable income attributable to domestic production. For taxable periods beginning in 2007, the amount of the deduction is equal to 6 percent of taxable income attributable to domestic production. For taxable years beginning 2008, the amount of the deduction is 7 percent and for taxable years beginning after 2008, the amount of the deduction is 9 percent.

FY 2008	FY 2009	FY 2010
$8.0 million	$8.2 million	$10.9 million

47. Basis of Capital Gains on Gifts

Internal Revenue Code Section 1015, effective 1959

When a gift is made, the donor's basis in the transferred property (the cost that was incurred when the transferred property was first acquired) carries over to the donee. The carryover of the donor's basis allows a continued deferral of unrealized capital gains.

FY 2008	FY 2009	FY 2010
$2.5 million	$2.6 million	$4.2 million

48. Capital Gain on Property Transferred at Death

Internal Revenue Code Section 1014, effective 1954

No tax is imposed on capital gains resulting from the transfer at death of appreciated property. The appreciation that accrued during the lifetime of the transferor is never taxed as income.

FY 2008	FY 2009	FY 2010
$117.9 million	$120.7 million	$124.7 million

49. Income Averaging for Farmers

Internal Revenue Code Section 1301, effective 1986 with various amendments

Taxpayers can lower their tax liability by averaging, over the prior three-year period, their taxable income from farming and fishing.

FY 2008	FY 2009	FY 2010
$3.1 million	$3.1 million	$3.3 million

50. Installment Sales

Internal Revenue Code Section 453, effective 1986

Dealers in real and personal property cannot defer taxable income from installment sales until the recipet of the loan repayment. Non-dealers are required to pay interest on deferred taxes attributable to their total installment obligations in excess of $5 million. Only property with sales prices exceeding $150,000 ae includable in the total. The payment of a market rate of interest eliminates the benefit of the tax deferral. The tax exemption for non-dealers with total installment obligations of less than $5 million is, therefore, a tax expenditure.

FY 2008	FY 2009	FY 2010
$3.0 million	$3.1 million	$3.1 million

51. Interest on U.S. Savings Bonds

Internal Revenue Code Section 454, effective 1959

Taxpayers may defer paying tax on interest earned on U.S. savings bonds until the bonds are redeemed.

FY 2008	FY 2009	FY 2010
$4.4 million	$4.5 million	$4.5 million

Tax Expenditures - Credits

52. Personal and Dependent Tax Credits

Kentucky Revised Statute 141.020(3), effective 1961

A credit against tax of $20 is allowed for taxpayers and dependents, plus $40 if age 65 or older or blind, and $20 if a member of the Kentucky National Guard.

FY 2008	FY 2009	FY 2010
$87.0 million	$88.0 million	$89.0 million

53. Child and Dependent Care Credit

Kentucky Revised Statute 141.067, effective 1990

A credit equal to 20 percent of the federal child care credit amount is allowed.

FY 2008	FY 2009	FY 2010
$7.6 million	$7.7 million	$7.8 million

54. Credit for Hiring Unemployed

Kentucky Revised Statute 141.065, effective 1982

A credit of $100 is allowed for each qualifying unemployed person hired.

FY 2008	FY 2009	FY 2010
Minimal	Minimal	Minimal

55. Expanded Low Income Tax Credit

Kentucky Revised Statute 141.066, effective 1990

Kentucky residents are allowed a low income tax credit based on modified adjusted gross income (MGI) which is equal to federal adjusted gross income plus any interest income from other states' municipal bonds and pension income from a qualifying lump-sum distribution. Single individuals whose MGI and married couples whose combined MGI is at or below federal poverty level for their family size will receive a 100 percent tax credit. The amounts are indexed for inflation each year.

FY 2008	FY 2009	FY 2010
$64.6 million	$65.9 million	$67.2 million

56. Historic Preservation Tax Credit

Kentucky Revised Statute 171.397, effective for tax years beginning on or after January 1, 2005

A credit is allowed against individual income tax for a portion of the cost of restoring a qualifed residential structure listed on the National Registry of Historic Places. The credit is equal to 30 percent of the rehabilitation expenses, in the case of owner-occupied residential property, and 20 percent of the rehabilitation expenses, in the case of all other property. The toal credit available is capped at $3 million annually, with each individual owner-occupied property receiving no more than $60,000.

FY 2008	FY 2009	FY 2010
$3.0 million	$3.0 million	$3.0 million

57. Job Development Credit

Kentucky Revised Statute 154.22-070, 154.24-110, 154.26-100, 154.27, 158.28-110, effective 1992

A job development assessment fee of 6 percent, a job creation assessment fee of 5 percent, a job revitalization assessment fee of 6 percent, an industrial development fee of 3 percent, or an alternative energy development assessment fee of 4 percent may be collected from employees under several economic development plans. A portion of these fees may be claimed as credits on the employees' individual income tax returns.

FY 2008	FY 2009	FY 2010
$74.3 million	$79.7 million	$80.8 million

58. Postsecondary Education Tuition Credit

Kentucky Revised Statute 141.069, effective for tax years beginning on or after January 1, 2005

A credit equal to 25 percent of the amount of the federal Hope Scholarship and the lifetime learning credit is available. The credit applies only to undergraduate studies, phases out for higher incomes and applies to most higher education opportunties within Kentucky.

FY 2008	FY 2009	FY 2010
$9.0 million	$10.0 million	$12.5 million

59. Recycling and/or Composting Equipment Credit

Kentucky Revised Statute 141.390, effective 1991

A credit is allowed for 50 percent of the installed costs of recycling or composting equipment used exclusively in this state for recycling or composting post-consumer waste.

FY 2008	FY 2009	FY 2010
$1.2 million	$1.2 million	$1.2 million