

**141.066 Definitions -- Nonrefundable "low income" and "family size" tax credits.**

- (1) As used in this section:
  - (a) "Federal poverty level" means the Health and Human Services poverty guidelines updated periodically in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. sec. 9902(2) and available on June 30 of the taxable year;
  - (b) "Qualifying dependent" means a qualifying child as defined in the Internal Revenue Code, Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply;
  - (c) "Qualifying individual" means an individual whose filing status is single or married filing separately if during the taxable year the individual's spouse is not a member of the household;
  - (d) "Qualifying married couple" means a husband and wife living together who file a joint return or separately on a combined return. "Marital status" shall have the same meaning as defined in Section 7703 of the Internal Revenue Code; and
  - (e) "Threshold amount" means:
    1. For a qualifying individual with no qualifying dependent children, the federal poverty level established for a family unit size of one (1);
    2. For a qualifying individual with one (1) qualifying dependent child or a qualifying married couple with no qualifying dependent children, the federal poverty level established for a family unit size of two (2);
    3. For a qualifying individual with two (2) qualifying dependent children or a qualifying married couple with one (1) qualifying dependent child, the federal poverty level established for a family unit size of three (3);
    4. For a qualifying individual with (3) or more qualifying dependent children or a qualifying married couple with two (2) or more qualifying dependent children, the federal poverty level established for a family unit size of four (4).
- (2)
  - (a) For taxable years beginning before January 1, 2005, a resident individual whose adjusted gross income does not exceed the amounts set out in paragraph (c) of this subsection shall be eligible for a nonrefundable "low income" tax credit. The credit shall be applied against the taxpayer's tax liability calculated under KRS 141.020, and shall be taken in the order established by KRS 141.0205.
  - (b) For a husband and wife filing jointly, the "low income" tax credit shall be computed on the basis of their joint adjusted gross income and shall be applied against their joint tax liability. For a husband and wife living together, whether filing separate returns or filing separately on a combined return, the "low income" credit shall be computed on the basis of their combined adjusted gross income, except that a separately computed gross income of less than zero shall be treated as zero, and shall be applied against their combined tax

liability.

- (c) The "low income" tax credit shall be computed as follows:

AMOUNT OF ADJUSTED GROSS INCOME	PERCENT OF TAX LIABILITY ALLOWED AS LOW INCOME TAX CREDIT
not over \$5,000	100%
over \$ 5,000 but not over \$10,000	50%
over \$10,000 but not over \$15,000	25%
over \$15,000 but not over \$20,000	15%
over \$20,000 but not over \$25,000	5%
over \$25,000	-0-

- (3) (a) For taxable years beginning after December 31, 2004, qualifying taxpayers whose modified gross income is below one hundred thirty-three percent (133%) of the threshold amount shall be entitled to a nonrefundable family size tax credit. The family size tax credit shall be applied against the taxpayer's tax liability calculated under KRS 141.020. The family size tax credit shall not reduce the taxpayer's tax liability below zero.
- (b) For qualifying taxpayers whose modified gross income is equal to or below one hundred percent (100%) of the threshold amount, the family size tax credit shall be equal to the taxpayer's tax liability.
- (c) For qualifying taxpayers whose modified gross income exceeds the threshold amount but is below one hundred thirty-three percent (133%) of the threshold amount, the family size tax credit shall be equal to the amount of the taxpayer's individual income tax liability multiplied by a percentage as follows:
1. If modified gross income is above one hundred percent (100%) but less than or equal to one hundred four percent (104%) of the threshold amount, the credit percentage shall be ninety percent (90%);
  2. If modified gross income is above one hundred four percent (104%) but less than or equal to one hundred eight percent (108%) of the threshold amount, the credit percentage shall be eighty percent (80%);
  3. If modified gross income is above one hundred eight percent (108%) but less than or equal to one hundred twelve percent (112%) of the threshold amount, the credit percentage shall be seventy percent (70%);
  4. If modified gross income is above one hundred twelve percent (112%) but less than or equal to one hundred sixteen percent (116%) of the threshold amount, the credit percentage shall be sixty percent (60%);
  5. If modified gross income is above one hundred sixteen percent (116%) but less than or equal to one hundred twenty percent (120%) of the threshold amount, the credit percentage shall be fifty percent (50%);
  6. If modified gross income is above one hundred twenty percent (120%) but less than or equal to one hundred twenty-four percent (124%) of the threshold amount, the credit percentage shall be forty percent (40%);

7. If modified gross income is above one hundred twenty-four percent (124%) but less than or equal to one hundred twenty-seven percent (127%) of the threshold amount, the credit percentage shall be thirty percent (30%);
  8. If modified gross income is above one hundred twenty-seven percent (127%) but less than or equal to one hundred thirty percent (130%) of the threshold amount, the credit percentage shall be twenty percent (20%);
  9. If modified gross income is above one hundred thirty percent (130%) but less than or equal to one hundred thirty-three percent (133%) of the threshold amount, the credit percentage shall be ten percent (10%);
  10. If modified gross income is above one hundred thirty-three percent (133%) of the threshold amount, the credit percentage shall be zero.
- (4) For a qualifying married couple filing jointly, the family size tax credit shall be computed on the basis of their joint modified gross income and shall be applied against their joint tax liability. For a qualifying married couple living together, whether filing separate returns or filing separately on a combined return, the family size tax credit shall be computed on the basis of their combined modified gross income, except that a separately computed modified gross income of less than zero shall be treated as zero, and shall be applied against their combined tax liability.

**Effective:** March 18, 2005

**History:** Amended 2005 Ky. Acts ch. 168, sec. 9, effective March 18, 2005. -- Amended 1994 Ky. Acts ch. 57, sec. 3, effective July 15, 1994. -- Amended 1992 Ky. Acts ch. 52, sec. 1, effective July 14, 1992; and ch. 105, sec. 72, effective July 14, 1992. -- Created 1990 Ky. Acts ch. 476, Pt. VII D, sec. 638, effective April 11, 1990.

**Legislative Research Commission Note** (3/18/2005). 2005 Ky. Acts ch. 168, sec. 165, provides that this section shall apply to tax years beginning on or after January 1, 2005.

**Legislative Research Commission Note** (7/15/1994). The changes to this statute from 1994 Ky. Acts ch. 57 apply "to taxable years beginning after December 31, 1993." 1994 Ky. Acts ch. 57, sec. 4.