



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

Andy Beshear
GOVERNOR

Holly M. Johnson
SECRETARY

State Office Building
501 High Street
Frankfort, Kentucky 40601-3462
Phone: (502) 564-3226
Fax: (502) 564-3875

Thomas B. Miller
COMMISSIONER

To: Interim Joint Committee on Appropriations and Revenue
Senator Christian McDaniel, Co-Chair
Representative Jason Petrie, Co-Chair
Jennifer Hays, Committee Staff Administrator

From: Thomas B. Miller, Commissioner, Department of Revenue

Date: August 30, 2022

Re: Individual Income Tax Rate Reduction Conditions

The Department of Revenue, with assistance from the Office of State Budget Director, has reviewed the reduction conditions as they apply to fiscal year 2020-2021 and fiscal year 2021-2022 to determine if the reduction conditions for an individual income tax rate deduction have been met for each fiscal year, as directed under KRS 141.020(2)(b)(1). The statute requires the Department of Revenue to report to the Interim Joint Committee on Appropriations and Revenue whether a tax rate reduction will occur for the taxable year beginning on January 1, 2023, and the amounts associated with each item within the reduction conditions used for making that determination, which are outlined below:

REDUCTION CONDITIONS	<u>FY 2021</u>	<u>FY 2022</u>
A GF Moneys (General Fund receipts excluding Tobacco moneys)	12,827,432,329	14,702,460,457
General Fund appropriations	12,280,115,364	15,426,814,997
less Tobacco appropriations	(108,226,600)	(131,353,451)
less appropriations to the Budget Reserve Trust Fund	(599,999,982)	(1,482,127,088)
less lump-sum appropriations to a state-administered retirement system	0	(694,242,300)
GF Appropriations	11,571,888,781	13,119,092,158
plus Individual Income Tax (IIT) Equivalent of a 1% reduction	1,028,753,977	1,209,505,654
B GF appropriations for the fiscal year plus the IIT equivalent?	12,600,642,758	14,328,597,812
Row A less Row B	226,789,571	373,862,645
General Fund Moneys greater than GF appropriations plus the IIT equivalent?	Yes	Yes
Balance in the Budget Reserve Trust Fund balance at the end of a fiscal year	1,762,652,154	2,495,652,609
Balance in the Budget Reserve Trust Fund balance at the end of a fiscal year as a percentage of GF Moneys	13.7%	17.0%
Balance in the BRTF at the end of a fiscal year equal to or greater than 10% of the GF moneys?	Yes	Yes

The reduction conditions as they apply to fiscal year 2020-2021 have been met, as indicated above. Therefore, pursuant to KRS 141.020(2)(b)2.b., the Department of Revenue shall implement a tax rate reduction in the amount of five-tenths of one percent (0.5%) for the taxable year beginning on January 1, 2023. The tax rate beginning on or after January 1, 2023 shall be equal to four and one-half percent (4.5%) of net income.

cc: Secretary Holly M. Johnson, Finance & Administration Cabinet
John T. Hicks, State Budget Director, Office of State Budget Director