



2022 Regular Session Overview of House Bill 8 Revenue Measures

**Interim Joint Committee on Appropriations and
Revenue**

June 2, 2022

Individual Income Tax Rate Decrease

- The Department of Revenue, with assistance from the State Budget Director, shall review the reduction conditions and report the findings by September 5, 2022
- Initially, the reduction conditions for FY21 and FY22 will be considered
- Thereafter, each annual review will consider only the most recently completed fiscal year
- If conditions are satisfied, rate reductions will be triggered for January 1, 2023, and may be triggered for January 1, 2024



Rate Decrease Timeline

Fiscal Year Conditions Examined	Date of Examination	If Conditions Are Met, Rate Reduction Begins
FY 2021	September 2022	January 1, 2023
FY 2022	September 2022	January 1, 2024
FY 2023	September 2023	January 1, 2025
FY 2024	September 2024	January 1, 2026



Individual Income Tax Rate Reduction Conditions

- Defined Terms
 - Balance in the BRTF
 - GF Appropriations
 - GF Moneys
 - IIT Equivalent

Reduction Conditions

- Condition 1

The balance in the BRTF at the end of a fiscal year shall be equal to or greater than ten percent (10%) of the GF moneys for that fiscal year

- Example

If GF moneys are \$14 billion, the balance in the BRTF must be at least \$1.4 billion in the year being examined

Reduction Conditions

- Condition 2

GF moneys at the end of a fiscal year shall be equal to or greater than GF appropriations for that fiscal year plus the IIT equivalent for that fiscal year

$$\text{GF moneys} \geq \text{GF Appropriations} + 1\% \text{ IIT equivalent}$$

- Example

If in a given year, Individual Income Tax collections are \$5.6 billion and the rate is 5%, the left side of the equation must be approximately \$1.12 billion greater than the right side

What Happens?

- If Condition 1 and Condition 2 are met for fiscal year 2020-2021, the Individual Income Tax rate will be decreased, from 5% to 4.5%, for taxable years beginning January 1, 2023
- Even though there is an annual process established in statute, General Assembly action is required before additional rate reductions occur

Will Revenue Conditions Be Met?

- Fiscal Year 2020-2021
 - It appears the conditions have been met
- Fiscal Year 2021-2022
 - Actual revenues and appropriations will be known in mid-July after the fiscal year closes on June 30
 - The Department of Revenue must report to A&R by September 5, 2022
 - If the conditions are met and if the General Assembly takes action during the 2023 Regular Session, on January 1, 2024, the rate will decrease from 4.5% to 4%



Income Taxes-Other Provisions

- Internal Revenue Code update
- New tax credit - decontamination property
- Changed tax credit thresholds – historic properties
- Eliminated tax credits – fiduciary and estate

Sales and Use Tax Base Expansion

- The sales and use tax base is expanded to include 35 new services
 - Marketing/Telemarketing services
 - Website hosting services
 - Cosmetic surgery services
 - Testing services
 - Security system monitoring services

Sales and Use Tax-Other Provisions

- Expanded definition – extended warranty services to include real property
- Eliminated exemption – admissions to historical sites
- Created exemption – farm drugs
- Limited exemption – residential utilities

Car Rental and Ride Sharing Tax General Fund

- Begins January 1, 2023
- Imposed upon every person for the privilege of providing a motor vehicle for sharing or for rent
- 6% of the gross receipts derived from:
 - Peer-to-peer car sharing (sharing platforms)
 - Renting of motor vehicles (rental cars)
 - Transportation network company (Uber/Lyft)
 - Taxicab services
 - Limousine services

Electric Vehicle Power Excise Tax Road Fund

- Begins January 1, 2024
- EV power distributed by an EV power dealer
- Initial base rate = \$0.03 per kilowatt hour
- Surtax base rate = \$0.03 per kilowatt hour if the charging station is located on state property
- Rate adjustments-NHCCI 2.0 annually-January 1, 2025
- Change cannot be greater than 5% up or down
- Cannot decrease below base rate
- Staff study required

Electric Vehicle Ownership Fee General and Road Fund Split

- Begins January 1, 2024
- Imposed for the privilege of owning an electric vehicle
 - \$120 for electric vehicles
 - \$60 for motorcycles or hybrid vehicles
- Paid at the time of initial and annual registration
- Indexed at the same time and manner of EV power tax

Tax Amnesty

- 60-day Period – October 1 to November 29, 2022
- Finance Cabinet to procure services to conduct the program
- Taxpayer must
 - File all delinquent state returns
 - Pay all state tax due and $\frac{1}{2}$ of that interest
 - Pay all federal tax, penalties, fees, and interest referred to the Department for collection

Tax Amnesty

- If a successful bid for the procurement of services is not secured, the Department of Revenue shall implement the tax amnesty program during a similar 60-day period during 2023

Local Taxes

- Transient Room – Beginning January 1, 2023
 - Statutory references to the taxpayer and taxable base are conformed to the sales and use tax statutory references
- Local Car Rental and Ride Sharing License Fee
 - Expanded to include the same taxpayers as the state tax

Questions?