CFG INTERIM SESSION

(AN UPDATE ON TAX REFORM AND FY18 FINAL REVENUE)

GREG HARKENRIDER
DEPUTY EXECUTIVE DIRECTOR

JUNE 28, 2018

Today's Agenda

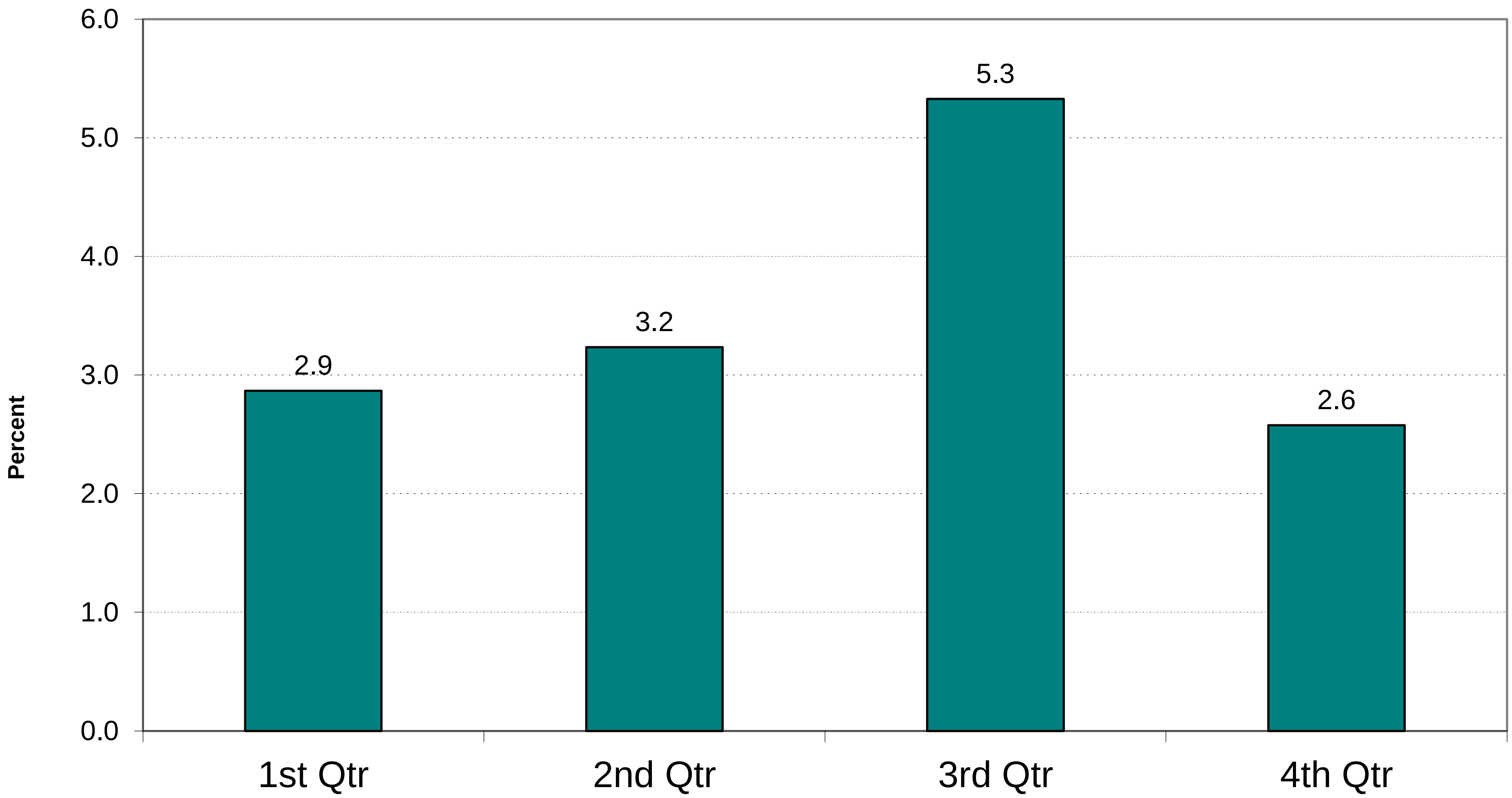
- FY18 final revenues versus Consensus Estimates
- Quick update on the *South Dakota v. Wayfair, INC.* court decision
- Overview of the 2018 tax reform
- Tax-by-Tax description of the tax law changes
  - Sales Tax
  - Cigarette Surtax
  - Individual Income Tax
  - Corporate Income Tax
- Explanation of the official scores
- Effects of tax reform on future consensus estimates

Revenue Update for 2018

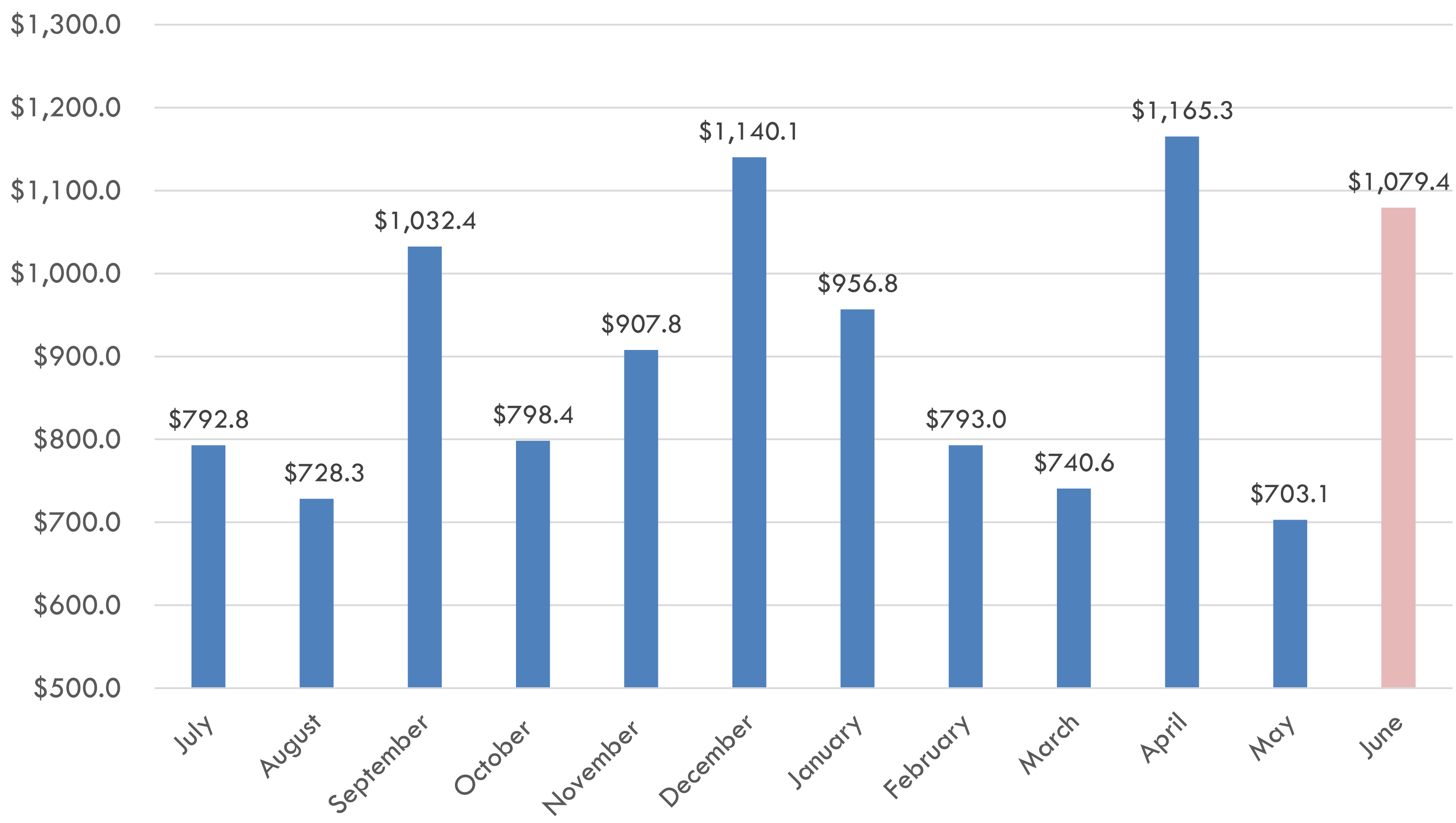
- Our last Quarterly Report (Issued in April) predicted a General Fund (GF) revenue surplus of $110.7 million
- Since then, the fourth quarter was completed
  - April was up 6.3%
  - May was down 4.9%
  - June was up 3.9%
  - Fourth Quarter was up 2.6%
- FY18 Actual Revenue -- $10,838.2 million
- FY18 Estimated Revenue -- $10,718.4 million
- FY18 Surplus Revenue -- $119.8 million
- We adopted the control estimates in December 2017

Quarterly GF Revenue Pattern

(Percentage Change)



Revenue Pattern throughout the Year



Composition of the 2018 Variation

(Actual Revenue minus Enacted Estimates, $ millions)

	Actual	Estimate	Diff ($)	Diff (%)
Sales and Use	3,605.7	3,611.9	-6.2	-0.2%
Individual Income	4,603.6	4,509.0	94.6	2.1%
Corporation Income	511.4	558.6	-47.2	-8.5%
LLET	238.1	186.2	51.9	27.9%
Coal Severance	89.6	88.5	1.1	1.3%
Cigarette Tax	211.8	214.3	-2.5	-1.2%
Property	621.3	607.9	13.4	2.2%
Lottery	253.0	243.0	10.0	4.1%
Other	703.7	699.0	4.7	0.7%
TOTAL	10,838.2	10,718.4	119.8	1.1%

FY18 Individual Income Tax Forecast

(Estimation Errors in $ million)

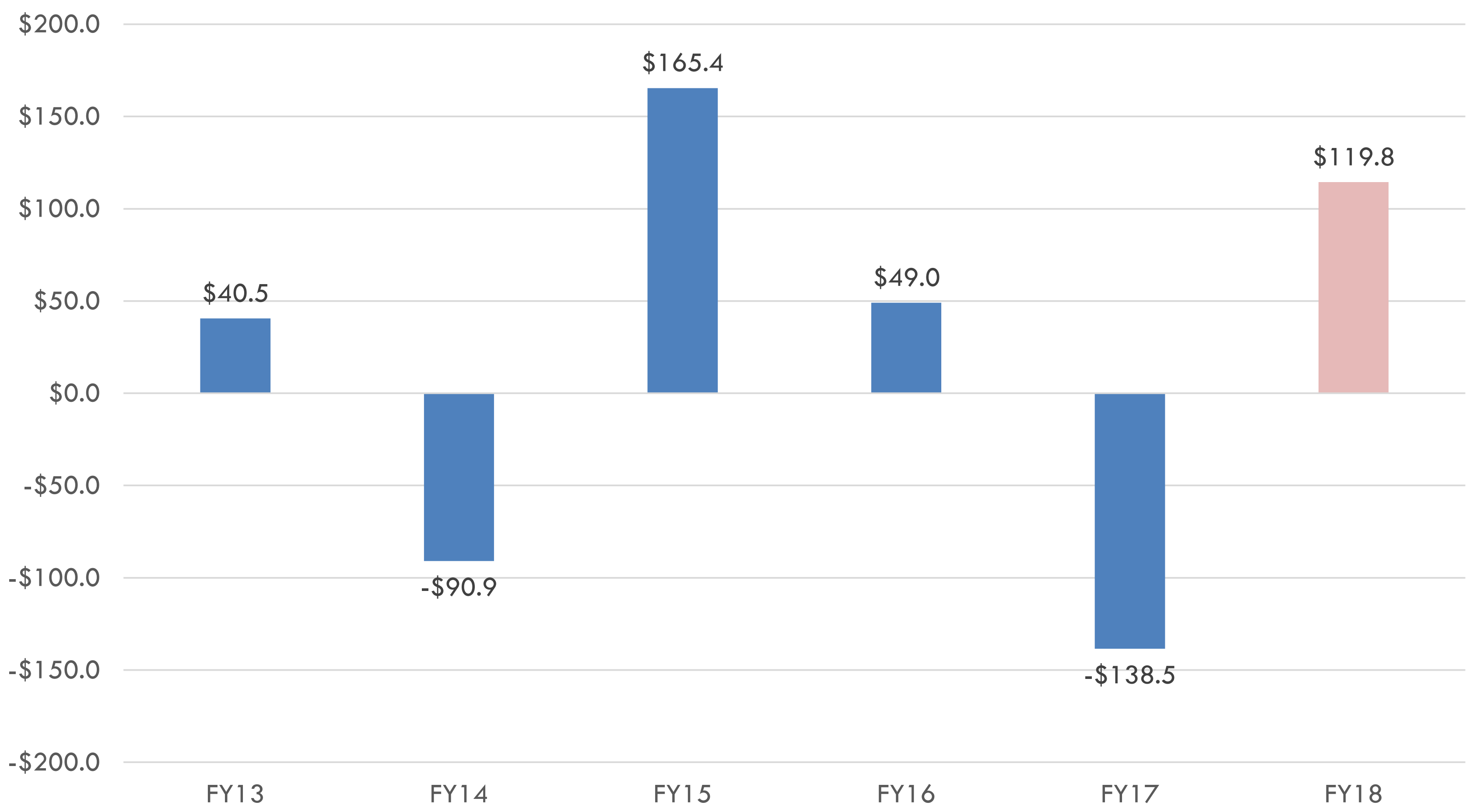
	Estimate	Actual	Diff $	Diff %
Individual Income Tax	4,509.0	4,603.6	-94.6	-2.1
Withholding	4,212.4	4,248.4	-36.0	-0.8
Declarations	544.0	617.1	-73.1	-11.8
Net Returns	-254.4	-265.6	11.2	-4.2
Fidiciary	7.0	3.7	3.3	89.2

What Made June 2018 a Special Month?

- Uncertainty about the effects of state and federal tax reform
  - Effects on estimated payments
  - Effects on State withholding
- Close-out was expedited due to the eMars update
  - Cut-off to post receipts is noon Saturday June 30
  - Typically the cut-off is a little later
  - eMars update requires an earlier period 13 accounting close

Past GF Forecasting Accuracy

(Actual Receipts Minus the Enacted Estimates)



Revenues Needed in FY19

	FY18	FY19 CFG	FY19 CFG	FY19 GA	FY9 GA
	Actual	Estimate	Growth	Estimate	Growth
Sales and Use	3,605.7	3,699.4	2.6%	3,907.6	8.4%
Individual Income	4,603.6	4,649.5	1.0%	4,531.2	-1.6%
Corporation Income	511.4	600.6	17.5%	573.0	12.1%
LLET	238.1	200.2	-15.9%	200.2	-15.9%
Coal Severance	89.6	77.9	-13.1%	77.9	-13.1%
Cigarette Tax	211.8	207.9	-1.9%	337.9	59.5%
Property	621.3	620.7	-0.1%	620.7	-0.1%
Lottery	253.0	249.0	-1.6%	249.0	-1.6%
Other	703.7	700.7	-0.4%	700.7	-0.4%
TOTAL	10,838.2	11,005.9	1.5%	11,198.2	3.3%

FY18 Road Fund Revenues

- The official Road Fund estimate was $1,503.3 million
- Actual revenues were $1,511.0 million
- Road Fund revenue surplus of $7.7 million
- If not for 3.6% Road Fund growth in June, the CFG estimate would have been spot on

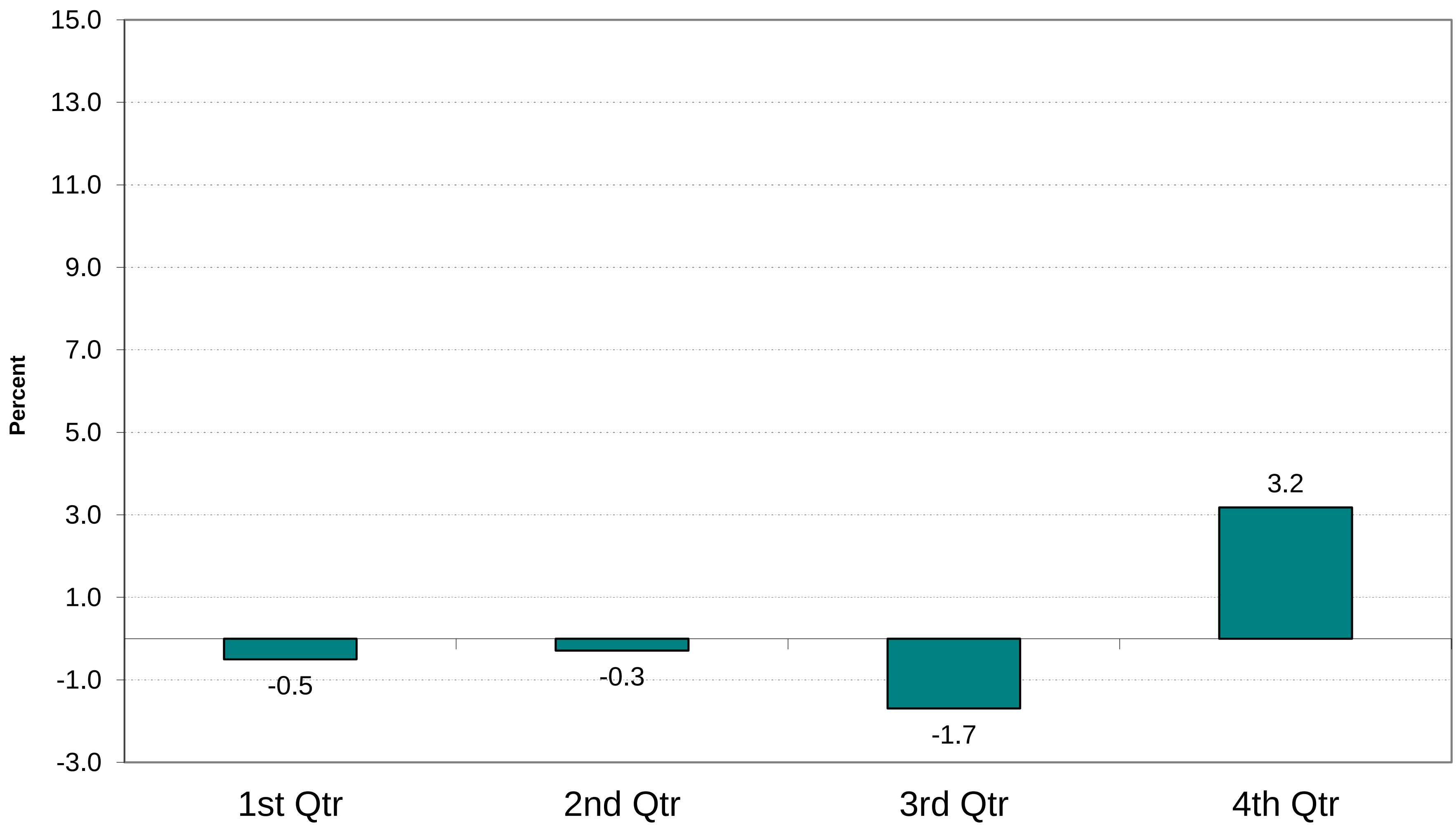
Composition of the 2018 Variation

(Actual Road Fund Revenue minus Enacted Estimates, $ millions)

FY18 Road Fund Revenues Compared to Official Estimate				
(million $)				
	Actual	Estimate	Diff.	Diff. (%)
Motor Fuels	764.9	761.2	3.7	0.5
Motor Vehicle Usage	493.1	493.9	-0.8	-0.2
Motor Vehicle License	112.9	113.4	-0.6	-0.5
Motor Vehicle Operators	16.8	16.6	0.2	1.2
Weight Distance	81.7	81.4	0.3	0.4
Investment Income	2.8	2.0	0.8	41.9
Other	38.7	34.8	3.9	11.3
TOTAL	1,511.0	1,503.3	7.7	0.5

Quarterly RF Revenue Pattern

(Percentage Change)



Things to Look Forward to in FY19

- Growth needed to hit the pre-reform estimate will be lower than the CFG predicted
  - CFG predicted $11,005.9 million (2.7% growth) in FY19
  - Beating the estimate in FY18 lowers actual growth needed in FY19
- See how our estimates of tax reform hold up
  - FY19 fiscal impact was +192.3 million
  - Sales Tax +$208.2 million
  - Corporate income -$27.6 million
  - Individual income -$118.3 million
  - Tobacco Taxes +$128.6 million
- South Dakota v. Wayfair, Inc. receipts

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U.S. Supreme Court *Wayfair* Decision

- In 2016, South Dakota enacted a law to intentionally challenge the physical presence test in *Bella Hess* (1967) and *Quill* (1992)
- Remote sellers requirement to remit sales and use tax expanded to include volume and/or magnitude of sales
- Wayfair Inc. and other large online retailers refused to collect the tax, due to lack of physical presence
- After a series of state court actions, South Dakota Supreme Court ruled in favor of the remote sellers
- South Dakota petitioned U.S. Supreme Court
- On June 21, U.S. Supreme Court ruled, overturning the physical presence substantial nexus standard

Rejection of Physical Presence Established in *Quill*

- U.S. Supreme Court articulated two primary principles of a states authority to regulate interstate commerce
  - States may not discriminate against interstate commerce
  - States may not impose undue burden on interstate commerce
- Determined that *Quill* is flawed
  - Physical presence rule is not a necessary requirement for substantial nexus
  - Current rules create rather than resolve market distortions
  - "Economically identical actors" treated differently for "arbitrary reasons"
- *Wayfair* creates new sufficiency test for substantial nexus
  - Based on the level of economic activity and virtual contact a company has with a state

Wayfair Requirements to Avoid Undue Burden

- U.S. Supreme Court noted attributes designed to prevent discrimination or create an undue burden on interstate commerce
  - No retroactive application of remittance obligations
  - *De minimis* standards for determining substantial nexus
  - Adoption of Streamlined Sales and Use Tax Agreement
    - Single, state-level administration of sales and use taxes
    - Uniform definitions of products and services
    - Simplified tax rate structures and other uniform rules
    - Access to sales and use tax administration software provided by the state
    - Provide immunity from audit liability for sellers that utilize the provided software

Impact of *Wayfair* on Kentucky

- Kentucky is situated similarly to South Dakota after the *Wayfair* decision
  - HB487 – 2018 Regular Session became law on April 27
  - Law does not contain retroactive obligations for tax remittance
  - Defines remote retailer with same *de minimis* standard as South Dakota
    - Gross receipts in previous or current calendar year exceeds $100,000
    - Engages in 200 or more separate transactions in previous or current calendar year
  - Kentucky is a member of the Streamlined Sales and Use Tax Agreement
    - Remote sellers can register for Kentucky and the other 23 member states through the SSUTA's registration system
  - Department of Revenue focusing on information and education
    - Public forums and website dedicated to remote seller information
    - Publicly stated that Kentucky will have a "soft implementation" due to Wayfair decision being handed down so close to July 1 effective date

Potential Limitations of *Wayfair*

- Kentucky currently collects sales and use tax from most of the large, on-line retailers
  - Kentucky is a logistics and distribution hub for many retailers
  - Department of Revenue has done significant compliance work
- GAO and other estimates have broad range of estimates
  - Bruce, Fox, Luna study estimated losses of $33.9 billion in 2009 but lowered to $17.4 billion in 2012 update
  - Many studies do not include *de minimis* exclusions
- Amazon and other large retailers generally do not collect sales taxes on sales through third-party vendors
  - Third-party vendors estimated to make up a third of Amazon revenues
- Retailers may limit or reduce sales levels to avoid compliance

Questions ??

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The Making of House Bill 487 SCS

- HB 487 SCS was enrolled after the HB 366 FCCR veto over-ride.
- HB 487 SCS has 162 sections; 30 sections contain differences from HB 366 FCCR
  - 14 new sections;
  - 9 policy changes;
  - 5 clarifying changes; and
  - 2 sections with conforming changes.
- Every component of HB 366 FCCR is included in HB 487 SCS
- HB 487, being the later-passed bill, should prevail for successful mergers in instances of policy changes between the bills.
- Ultimately the work of the statute reviser will determine the exact codification where conflicts exist.

Basic Principles of HB 487

- Lower Rates
  - Corporate Income
  - Individual Income
- Broader Base
  - Sales Tax
  - Individual Income Tax
- Shift from taxing income and production to taxing consumption
- Attempt to eliminate tax expenditures
- Improve Kentucky's Business Climate ranking

Fiscal Impact of House Bill 487 SCS

- There was no official score for FY18 due to the effective date of HB 487 being July 14th. However, there could be some minor changes in FY18:
  - Withholding tables changed May 1st
  - Estimated income tax payments in June (FY18)
- FY19 fiscal impact was +192.3 million
  - Sales Tax +$208.2 million
  - Corporate income -$27.6 million
  - Individual income -$118.3 million
  - Tobacco Taxes +$128.6 million
- FY20 fiscal impact was +197.5 million
  - Sales Tax +$277.7 million
  - Corporate income -$71.9 million
  - Individual income -$118.3 million
  - Tobacco Taxes +$110 million

New Official Estimates

- FY19 Official Estimate
  - CFG Estimate was $11,005.9 million (Based on Control)
  - Plus actions of the 2018 General Assembly: $192.3 million
  - New Official Estimate: $11,198.2 million
- FY20 Official Estimate
  - CFG Estimate was $11,290.0 million (Based on Control)
  - Plus actions of the 2018 General Assembly: $197.5 million
  - New Official Estimate: $11,487.5 million

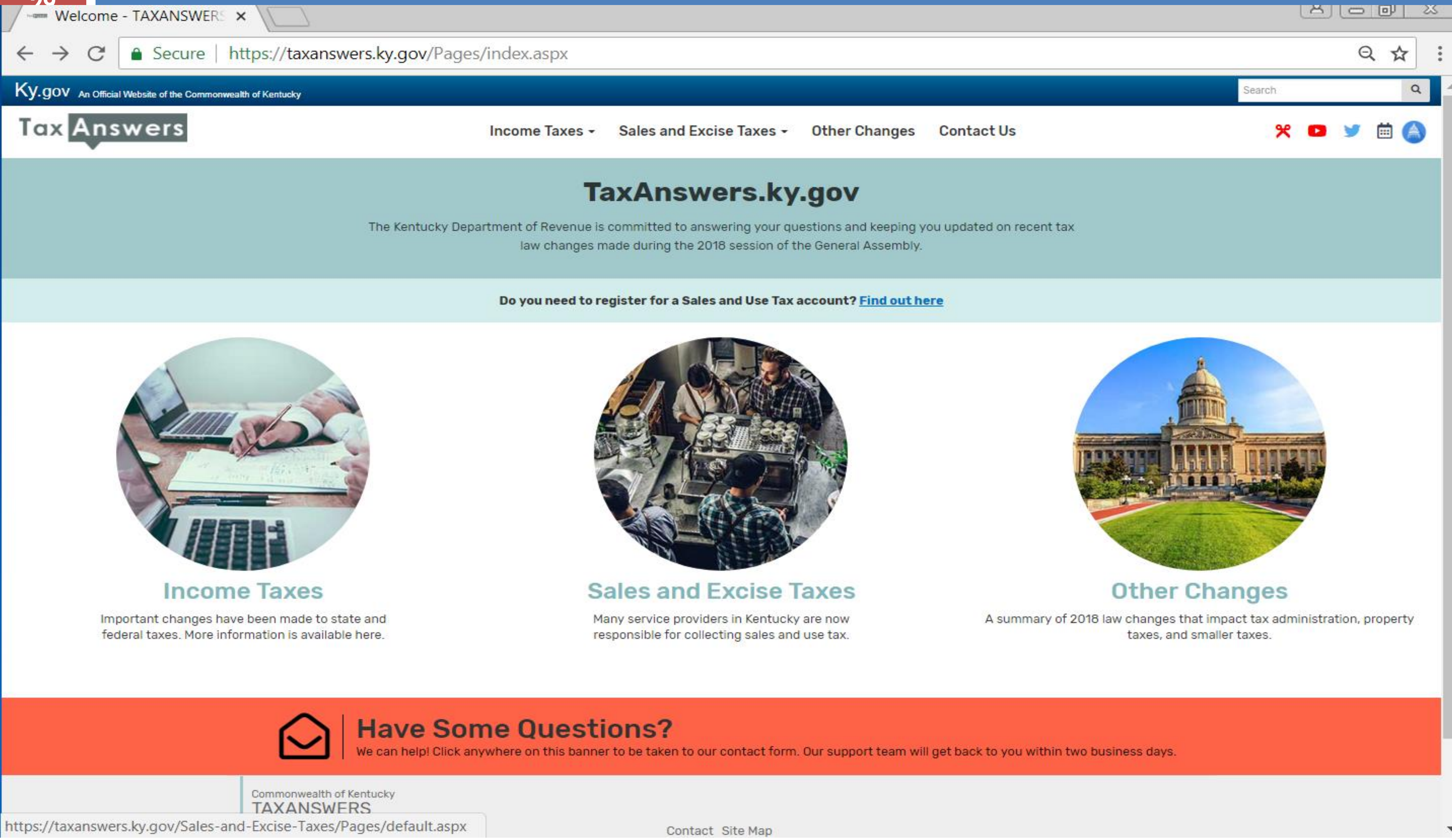
Implications for the State Budget Office

- In many cases, tax law changes created winners and losers.
- We don't hear from many winners.
- Altered the official revenue estimates by the scores in the previous slide.
- Will alter the process of revenue estimation going forward.
  - Most models assume a constant policy regime in the time series of numbers
  - Past may no longer be correlated with future observations
  - Hard to tease out the effects of tax changes from the monthly data
- Receipts may fluctuate as implementation issues get quickly resolved.

House Bill 487 Key Effective Dates

- **For tax years beginning on or after January 1, 2018**
  - Flat tax rate of 5% for individuals and corporations
  - Elimination of many Individual Income Tax deductions
  - IRC Conformity for Income Tax updated to December 31, 2017 including P.L. 115-97
  - Single Sales Factor & Market Based Sourcing
- **Sales after July 1, 2018:**
  - Sales Tax on various services, participatory admissions, extended warranties, installation with purchase of tangible personal property
  - Cigarette Tax Increase
- **For tax years beginning on or after January 1, 2019**
  - Unitary Combined & Elective Consolidated Group Filing

Answers to Tax Questions?



Expansion of the Sales Tax Base

Admissions and Services

- ***Participatory admissions, membership fees*** – Bowling centers; skating rinks; health spas; swimming pools; tennis courts; weight training facilities; fitness & recreational sports centers; golf courses, both public and private
- ***Transient Accommodations*** - Campsites, campgrounds, RV parks;
- ***Landscaping services*** (lawn care/maintenance; tree trimming, pruning or removal; landscape design and installation; landscape care/maintenance; snow plowing or removal services);
- ***Janitorial services*** - residential/commercial cleaning, carpet, upholstery, window cleaning;
- ***Small animal veterinary services***, pet care (grooming, boarding, pet sitting, pet obedience training);
- ***Industrial laundry and linen supply services***;
- ***Non-coin-operated laundry and dry cleaning services***;
- ***Indoor tanning services;***
- ***Non-medical diet and weight reducing services***;
- ***Limousine services*** with a driver; and
- ***Extended warranty services*** sold on or after July 1, 2018 for tangible personal property or digital property that is taxable to the warranty holder.

Scoring the Expansion of the Sales Tax Base

(Scores based on FY20 at full implementation)

Admissions and Services

- Participatory admissions, membership fees – $20.8 million
- Transient Accommodations – $0.9 million
- Landscaping services – $23.4 million
- Janitorial services – $19.4 million
- Small animal veterinary services – $17.2 million
- Pet grooming and boarding services – $1.3 million
- Industrial laundry and linen supply services – $1.0 million
- Non-coin-operated laundry and dry cleaning services – $7.4 million
- Indoor tanning services – $0.9 million
- Non-medical diet and weight reducing services – $1.0 million
- Limousine services with a driver – $0.1 million
- Extended warranty services – $20.0 million

Expansion of the Sales Tax Base

(Installation and Repair Services)

Effective July 1, 2018

Installation Key Issues:

- Gross receipts subject to sales tax will include installation/repair labor *associated with the sale* of taxable tangible personal property, digital property, or services. This labor component becomes taxable if part of a taxable retail sale.

- Charges for the installation of fixtures to real property or for labor to repair fixtures to real property are not part of gross receipts subject to sales tax. See 103 KAR 26:070 for more information on fixtures and building materials used in construction contracting.

- There is an exemption for charges for repair or installation labor for taxable tangible personal property *used directly within the manufacturing process*

- This law change does not affect contractors involved in building construction or repairs to real property.

- FY20 score at full implementation: ***$126.0 million***

Sales Tax Changes for Nonprofit Entities

- Due to the expanded definition of admissions in HB 487 and recent guidance from the Kentucky Supreme Court in the *Interstate Gas Supply* case, non-profit 501(c)(3) groups must collect sales tax on their charges for all categories of taxable admissions for periods beginning July 1, 2018, forward.
- In its decision, the Supreme Court confirmed the Ky. Constitution Sec. 170 exemption for charitable institutions applied only to property taxes and not to excise taxes (sales and use tax).
- The only sales tax exemptions for 501(c)(3) charitable, educational and religious organizations are those explicitly listed in KRS Chapter 139.
- Sales tax law (KRS 139.497) provides an exemption for sales by elementary or secondary schools or by their nonprofit school-sponsored or school affiliated groups if the net proceeds from the sales are used solely for the benefit of the elementary or secondary school or its students.

Application of Sales Tax on Affected Services on July 1, 2018

- If a payment is made prior to July 1, 2018 for a taxable services enacted under HB 487 and performed July 1, 2018 and thereafter, sales tax would not be due on that specific payment.
- If a taxable service enacted under HB 487 is performed prior to July 1, 2018 and payment is made for that service July 1, 2018 or thereafter, sales tax would not be due on that specific payment.
- If a taxable service enacted under HB 487 is performed July 1, 2018 and thereafter and payment is made for that service July 1, 2018 and thereafter, sales tax would be due and payable.

Additional Sales Tax Changes

Effective July 1, 2018

- Nexus Expansion for Economic Presence for a Remote Retailer - $100K/200K transactions threshold as in the Wayfair case
- Industrial processing - consistent use of terminology for Machinery for New & Expanded Industry and Industrial tools/supplies
- Clarification regarding cost of production for partial energy exemption related to tolling operations
- Elimination of pollution control exemption for sales & use tax
- Suspension of motion picture rebate until July 1, 2022

Impact on Estimating the Sales Tax

- All three sales tax models will need to be changed
- Solution would be more workable if we knew the revenues created from tax reform *ex post, but* …
- We will probably never know the true value of each tax law change due to data limitations
- Too early to use dummy variables
- Too early to use switching models
- Playing with short-term options …
  - Create a policy neutral dependent variable based on current estimates of the tax impacts
  - Estimate long-run equations now with existing models, with the quarterly report, and assume errors are zero but for the tax impacts

Longer-term Forecasting Implications

- Ideally we could construct a policy neutral data series
- Eventually dummy variables and switching models become viable
- Memorialize our current forecast as the final purely “economic” relationship among the dependent and independent variables
  - Examine the residuals over time
  - Retain the residuals for further analysis
  - Estimate the residuals in the future (as a proxy for the tax change effect)
- Consider using other instrumental variables
- Suggestions from the CFG?
- OSBD will do research on the matter and report back at a later date

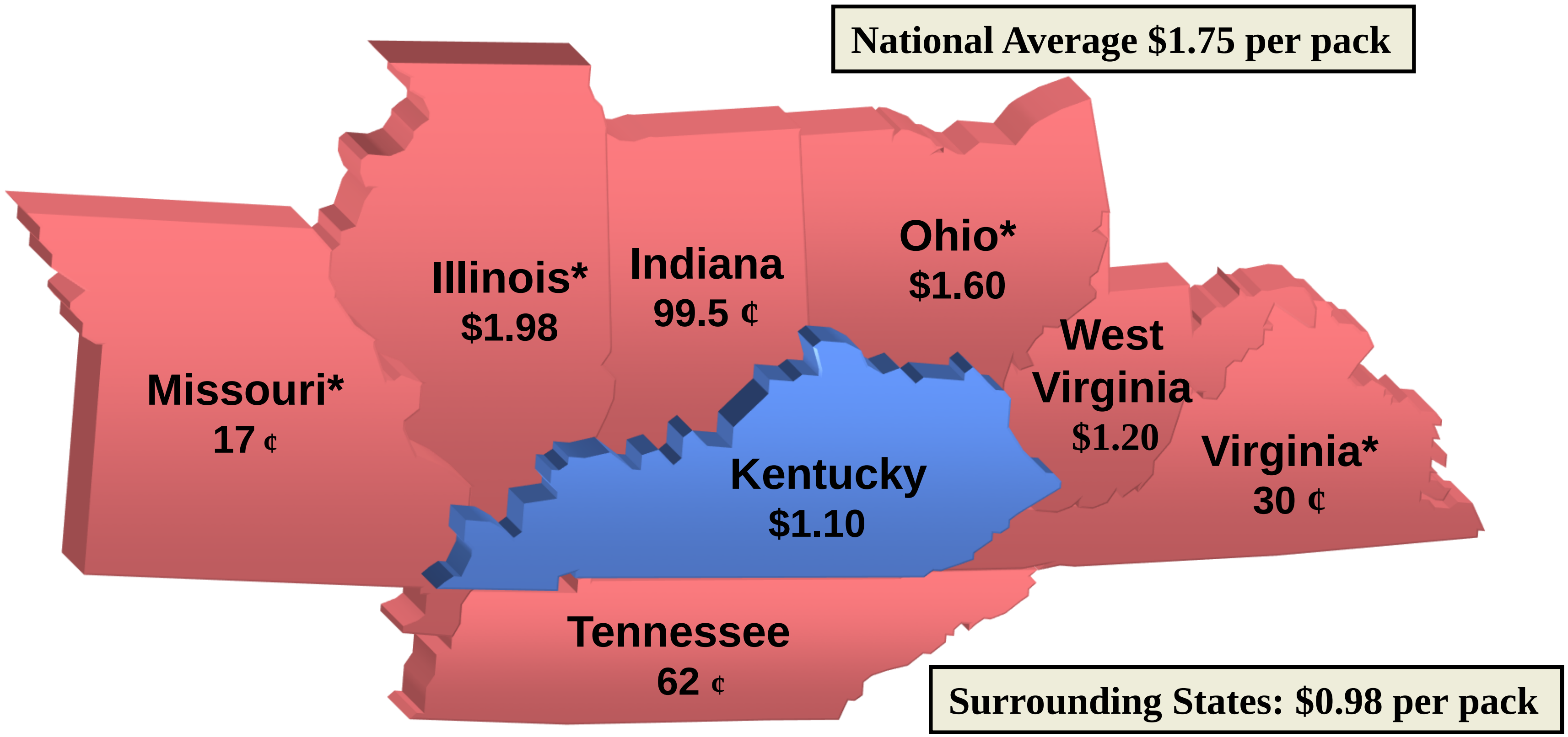
Excise Tax Increases

- $0.50 Cigarette tax increase, effective July 1, 2018;
- Cigarette floor stocks of $0.50 with 3 installments (July 10, Aug 10, and Sep 10, 2018); and
- Motor Vehicle Tire Fee increased to $2, part of gross receipts subject to sales tax.

Cigarette Tax Estimates

- Total Base Sales --- 380.5 million packs
  - 307.5 million to Kentuckians
  - 73.0 million to other states
- Post-Increase Sales --- 317.8 million packs
  - 300.0 million to Kentuckians
  - 17.8 million to other states
- Fiscal Impact: $128.6 million
  - Increase in Cigarette Tax -- $122.4 million
  - Increase in floor stock tax -- $15.9 million
  - Decrease in sales tax – (9.7 million)
- Floor Stock tax can be paid in three monthly installments

State Excise Taxes on Cigarettes



* Does not include sales tax or local excise rates imposed by cities and counties

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IRC Code Update

- Internal Revenue Code updated to December 31, 2017, as modified by KRS 141.0101
  - Removes the Domestic Production Activities Deduction
  - Repeal of moving expenses
  - Repeal of deduction for alimony payments

HB 487, Section 53

Pension Exclusion Reduction

- For taxable years as of January 1, 2018, the pension exclusion amount is $31,110 for all sources of pension distributions.
- Old exclusion cap was $41,110.

HB 487, Section 55

Eliminated Several Itemized Deductions

- Investment interest
- Local occupational taxes
- Casualty and theft losses
- Medical & dental expenses
- Moving expenses
- Distributive shares of the estate of a decedent
- Miscellaneous deductions

HB 487, Section 55

Change to Flat Tax Rate

- Flat tax of 5% for all income
- Old rate structure:
  - 2% tax rate on $0 - $3,000
  - 3% tax rate on $3,000 - $4,000
  - 4% tax rate on $4,000 - $5,000
  - 5% tax rate on $5,000 - $8,000
  - 5.8% tax rate on $8,000 - $75,000
  - 6% tax rate on $75,000+

HB 487, Section 57

Eliminates most Personal Exemptions

- $10 personal exemption (credit) for primary, secondary, and dependents is eliminated.
- $40 personal exemption for primary and secondary over 65 is kept.
- $40 personal exemption for blind primary and secondary is kept.
- $2 exemption for fiduciary is kept.
- $10 exemption for estates is kept.
- $20 exemption for Kentucky National Guard members is kept.

HB 487, Section 57

Film Credits Changes

- Films of commercials (advertisements) may no longer receive film credits.
- Starting in calendar 2018, $100 million cap on film credits per year.
- Film credits are now non-refundable and non-transferable.
- Previously approved credits remain refundable and are not subject to the new cap.
- Film credits can be claimed against IIT, CIT, or LLET.

HB 487, Section 62

Investment Fund Credits

- All investment fund credits (Angel Investor Credits and Investment Fund credits) for all investors is capped at $3 million per calendar year.

HB 487, Section 99

Business Incentive Credits

- The following credits are eliminated:
  - Coal Incentive Credit
  - Environmental Stewardship Credit
  - Food Donation Credit

HB 487, Section 105

Fiscal Impacts

5% Flat Rate	-$463.1 million
IRC Update	+$3.7 million
Pension Exclusion reduction	+$16.5 million
Removal of Itemized Deductions	+$288.4 million
Removal of Personal Exemptions	+$36.2 million
TOTAL	-$118.3 million

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Kentucky Tax Changes

- Kentucky changed four areas of its corporation income tax law which will affect revenue collections:

- Tax rates,
- Apportionment of income and sourcing of sales,
- Group filing methods and NOL provisions, and
- Tax credits.

Effective Dates

- For Tax years beginning on or after January 1, 2018
  - Flat tax rate
  - IRC conformity
  - Single sales factor and market-based sales sourcing
- For tax years beginning on or after January 1, 2019
  - Unitary combined and elective consolidated group filing

Tax Rates

- A flat 5% tax rate replaces the graduated rate brackets which ranged from 4% to 6%
  - 4% for the first $50K of taxable net income
  - 5% for taxable income between $50K and $100K
  - 6% for taxable net income in excess of $100K

Income Apportionment

- Applies to multi-state corporations
- Determines Kentucky net income
- Replacing three-factor apportionment with double weighting of sales (property and payroll)
- Single factor apportionment (sales) with market based sales sourcing
- Lowers tax burden for corporations that have substantial property and payroll in Kentucky

Sourcing Sales of Services and Intangibles

- Allocating receipts from services and sales of intangibles
- Moving from origin to destination-based sourcing
  - Cost-of-performance to market-based
- Sourced to Kentucky if the taxpayer's market for the sale is in Kentucky.
  - Where is the service performed?
- Under previous tax law, receipts from sales were origin based.
  - State with the largest share of cost

Group Filing Methods and NOL Provisions

For tax years beginning before January 1, 2019:

- Filing:
  - Mandatory Nexus Consolidated or Separate Entity
  - Kentucky nexus
  - 80% ownership between corporations
- NOL:
  - 2018 is the final year for 50% NOL limitation for mandatory nexus consolidated group filers

Nexus

- Statutorily defined:
- “Doing business in this state" includes but is not limited to:
  - (a) Being organized under the laws of this state;
  - (b) Having a commercial domicile in this state;
  - (c) Owning or leasing property in this state;
  - (d) Having one (1) or more individuals performing services in this state;
  - (e) Maintaining an interest in a pass-through entity doing business in this state;
  - (f) Deriving income from or attributable to sources within this state.

Group Filing Methods and NOL Provisions

- For tax years beginning on or after January 1, 2019:
- Filing:
  - Unitary Combined Group filing required; *unless*
  - The group elects a 96 month same-as-federal consolidated group filing; *otherwise*
  - Separate entity filing if not part of a unitary or consolidated group
  - Benefit of this method?
    - Reduces or eliminates tax avoidance ("accounting games")

What is a unitary Group?

- "Unitary business" means a single economic enterprise that is made up either of separate parts of a single corporation or of a commonly controlled group of corporations that are sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts.

What is a Unitary Group?

- Common ownership among the companies (80%)
- Companies in the same line of business
  - Horizontal or vertical integration
  - Can include companies that don’t have Kentucky nexus
  - Less clear cut than consolidated as to who is a member

Group Filing Methods and NOL Provisions

- NOL:
  - Adopt the 80% federal NOL limitation under IRC Sec 172(a) for NOL generated after January 1, 2018
  - Adopt federal unlimited carryforward of NOL generated after January 1, 2018
  - Current law limits the carryforward to 20 years

Tax Credits

- Inventory Tax Credit – a non-refundable and non-transferable income tax (state and local) credit is allowed for property taxes timely paid on inventory and is phased in as follows.
  - 2018 – 25% of tax paid
  - 2019 – 50% of tax paid
  - 2020 – 75% of tax paid
  - 2021 and forward – 100% of tax paid

Tax Credits

- Film Tax Credit – new applications are non-refundable and non-transferable after April 27, 2018.
  - An annual cap of $100 million applies to 2018 and thereafter. Commercials no longer qualify for the credit.

Federal Tax Changes

Kentucky updated its federal conformity date to December 31, 2017, and adopted the following changes in the Tax Cuts and Jobs Act (TCJA):

- Net Operating Losses limitations
- Net Interest Expense Limitations
- Repeal of the Domestic Production Activity Deduction
- Taxation of Foreign Derived Intangible Income

Federal Tax Changes

Kentucky did NOT adopt the following changes in the TCJA:

- Full Depreciation Expensing
- Deduction for Qualified Business Income of Pass-Through Entities

Fiscal Impacts ($M)

Tax Change	FY19	FY20
Move to Single Rate	-$55.2	-$72.6
IRC Code Update	28.9	38.0
Single-Factor Apportionment	-11.4	-16.1
Disallow the Deduction for Domestic Production	10.1	13.3
Inventory Tax Credit	0.0	-34.5
Total	**-$27.6**	**-$71.9**

Revenue Estimating Methodology

- Changed methodology for FY18
- Moved from separate to combined forecasting
  - LLET and Corporation income tax
- New tax law may have significant impact who files returns as well as vital metrics
  - Kentucky taxable income
  - NOL
  - Deductions
  - Credits

Revenue Estimating Methodology

- Given the uncertainty and limited historical data:
- Continue to forecast as before
- Add/subtract fiscal impacts
- Closely monitor receipts
- Make adjustments over time