

2021 Legislative Actions with Fiscal Impacts

HB 321 – An Act relating to revenues

- (Passed 3-30-2021) Signed by Governor 4-09-2021
- West-End Louisville TIF language (Sections 1-10)
 - \$10.0 million Appropriation in FY22
 - TIF Impacts beyond the biennium mainly property tax
- Cigarette Payment Bonding Change (Section 11)
 - (-\$0.75 million) annual impact starting in FY22
- Revamped Historical Structure Single-Project Language (Section 12)
 - Moved up the effective date for a single major certified rehabilitation for a certified historic structure
 - \$1.5 million negative impact for FY23-FY26

HB 278 – Payroll Protection Loans

- (Delivered to Governor 3-15-2021) Signed by Governor 3-15-2021
- Amended KRS 141.017 in the income tax section to eliminate the requirement that the income from PPP loans be taxable in order for there to be a valid deduction attributable to that income.
- (a) All deductions allowed by this chapter shall be limited to amounts directly or indirectly allocable to income subject to taxation under the provisions of this chapter.
- (b) Any deduction directly or indirectly allocable to income which is either exempt from taxation or otherwise not taxed under this chapter shall not be allowed
- (c) **This subsection does not apply to deductions allowed under Pub. L. No.116-260, sec. 276 and sec. 278, related to the tax treatment of forgiven covered loans and deductions attributable to those loans for taxable years ending on or after March 27, 2020, but before taxable years beginning January 1, 2022.**
- Fiscal Impact:
 - \$25 million in FY21 (Split between IIT \$5.0 M and CIT \$20.0 M)
 - \$125 million in FY22 , \$100 million in FY23 split 80:20 between CIT and IIT

HB 563 –aka, “school choice”. This legislation establishes the Education Opportunity Account Program (EOA program) and a related nonrefundable and non-transferable tax credit against IIT, CIT, and LLET.

- Passed 3-16-2021, Vetoed by Governor 3-24-2021, Overridden 3-29-2021
- Donors to the program get a 95% tax credit for the amount they donated
- Donors to the program get a 97% tax credit for multi-year donations
- Fiscal Impact:
 - \$0 in FY21
 - -\$25.0 million in FY22
 - -\$25.0 every year thereafter

HB 249 – Omnibus Tax Bill

- Section 3 – Vaping Open Systems
 - Minus 250K per year, starting in FY22
- Section 3 – Cigarette Tax Bonds (moot since HB 321 passed later in session)
- Section 16 through Section 20 – Film Incentives
 - Changed governing body from TAH to CED
 - Lowered cap from \$100 million to \$75 million, BUT
 - Made the \$75 million refundable
 - Fiscal Impact:
 - \$12.0 million in FY23
 - Growing amount in subsequent years
- Section 29 -- Historical Structure single-Project Language
 - Single major certified rehabilitation for a certified historic structure
 - Language rendered moot by HB 321 passed later in session
- Section 30 -- Raising "Certified rehabilitation credit cap" for Historical Preservation Tax Credits
 - Old Cap was \$5.0 million per year
 - New cap is \$100 million per year
 - Twenty-five percent (25%) of the credit cap awarded to owner-occupied residential property (\$60,000 limit per project); and
 - Seventy-five percent (75%) of the credit cap awarded to property other than owner-occupied residential property (\$400,000 limit per project)
 - Fiscal Impact
 - Talked with the KY Historical Society and they will not be able to process the entire allotment in any given year
 - The per-project cap keeps the cap from being fully utilized
- Section 33 – Veterans Service Organizations
 - No property tax if over fifty percent (50%) of its annual net income is expended on behalf of military veterans and other charitable causes
 - Fiscal Impact is decimal dust

HB 230 and SB 255 – Cryptocurrency Bills

- HB 230 is the sales tax incentive for purchasing tangible personal property directly used and the electricity used in commercial mining of cryptocurrency as of the date of approved application
- Provides for a four-year sunset from July 1, 2021 to June 30, 2025
- SB 255 changes CED incentives to include cryptocurrency producers
- Allows for income tax incentives
- Combined fiscal impact
 - \$10.5 million in FY22 and beyond

Fiscal Impacts for December CFG Meetings				
	FY21	FY22	FY23	FY24
2020 Regular Session				
HB 351 SCS2				
Tax Vaping	\$ 7.9	\$ 10.5	\$ 12.0	\$ 12.5
Tax Municipal Golf Courses	\$ 1.9	\$ 2.0	\$ 2.0	\$ 2.0
Delayed Cigarette Payments	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)
N&E equipment microbreweries	\$ (2.0)	\$ (2.0)	\$ (2.0)	\$ (2.0)
Coal Severance Refund for Exports	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)
Total for 2020 Regular Session	\$ 5.5	\$ 8.2	\$ 9.7	\$ 10.2
2021 Regular Session				
HB 321				
Single Project TDA Language			\$ (1.5)	\$ (1.5)
Cigarette Payment Bonding Change		\$ (0.75)	\$ (0.75)	\$ (0.75)
West End TIF Louisville			\$ (1.5)	\$ (1.75)
HB 278				
Forgiven PPP Loan Expensing	\$ (25.0)	\$ (125.0)	\$ (100.0)	
HB 563				
School Choice Tax Credits		\$ (25.0)	\$ (25.0)	\$ (25.0)
HB 230 and SB255				
Cryptocurrencies Sales Tax		\$ (9.5)	\$ (9.5)	\$ (9.5)
Cryptocurrencies CED Incentives		\$ (1.0)	\$ (1.0)	\$ (1.0)
HB 249				
Reduced Base for Open Vaping		\$ (0.25)	\$ (0.25)	\$ (0.25)
Historical Preservation Credit Cap		\$ -	\$ (45.00)	\$ (47.50)
Film Incentives			\$ (12.0)	\$ (20.0)
Property Tax On Veterans (VSO)		Minimal Fiscal Impact, but Negative		
Total for 2021 Regular Session	\$ (25.0)	\$ (161.5)	\$ (196.5)	\$ (107.3)
Total for 2020 and 2021	\$ (19.5)	\$ (153.3)	\$ (186.8)	\$ (97.1)
Left-Over from 2019				
Repeal of Bank Franchise Tax		\$ (124.0)	\$ (124.0)	\$ (124.0)
Taxing Banks as Corporations	\$ 20.0	\$ 59.0	\$ 59.0	\$ 59.0
Total Adjustments	\$ 0.5	\$ (218.3)	\$ (251.8)	\$ (162.1)

	FY21	FY22	FY23	FY24
Corporate & LLET	\$ (20.0)	\$ (61.5)	\$ (75.3)	\$ 2.9
Individual Income Tax	\$ (5.0)	\$ (30.5)	\$ (48.8)	\$ (37.4)
Sales Tax	\$ (0.1)	\$ (9.5)	\$ (12.1)	\$ (12.3)
Cigarette Taxes	\$ (1.0)	\$ (1.8)	\$ (1.8)	\$ (1.8)
Other Tobacco Products	\$ 7.9	\$ 10.3	\$ 11.8	\$ 12.3
Property Taxes	\$ -	\$ -	\$ (0.38)	\$ (0.38)
Coal Severance	\$ (1.3)	\$ (1.3)	\$ (1.3)	\$ (1.3)
Other Taxes	\$ -	\$ (124.0)	\$ (124.0)	\$ (124.0)
Total	\$ (19.5)	\$ (218.3)	\$ (251.8)	\$ (162.0)