Kentucky Bankers Association

Thank you for a Successful 2026 Session!

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• 2027 Session Priorities

- KBA's Proposal to Address Housing Crisis
- Renewal of New Market Tax Credits
- Data Brokering Taxation
- Continue Probate and Trust Law Modernization

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Kentucky Housing Supply Gap Analysis

Kentucky is lacking the following housing for its residents:

206,207 New Homes

		≤ 30% AMI Non-PSH*	31-50% AMI	51-80% AMI	81-120% AMI	121-150% AMI	≥ 151% AMI
101,569	Rental	60,385	19,161	13,211	6,980	1,132	700
104,638	For-Sale	19,434	14,179	18,599	17,972	13,896	20,558

Current Housing Needs Broken Down By Area Median Income (AMI) Groups

* Permanent Supportive Housing (PSH) - Housing that offers supportive services and typically includes project-based rental subsidies.

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Kentucky Housing Supply Gap

Statewide

Current (2024) All

Select Current (2024) or Projected (2029) and a county from the list or click on the map to see supply gap needs.

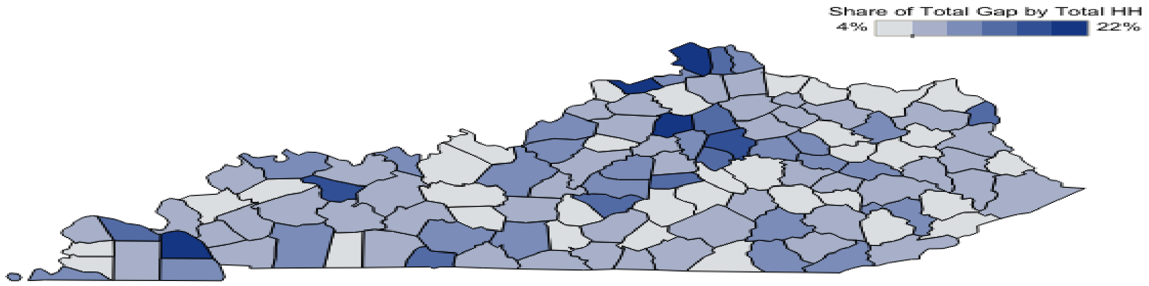
Current (2024) Housing Gap

Total Housing Units Needed

206,207

Total Rental Units Needed: 101,569

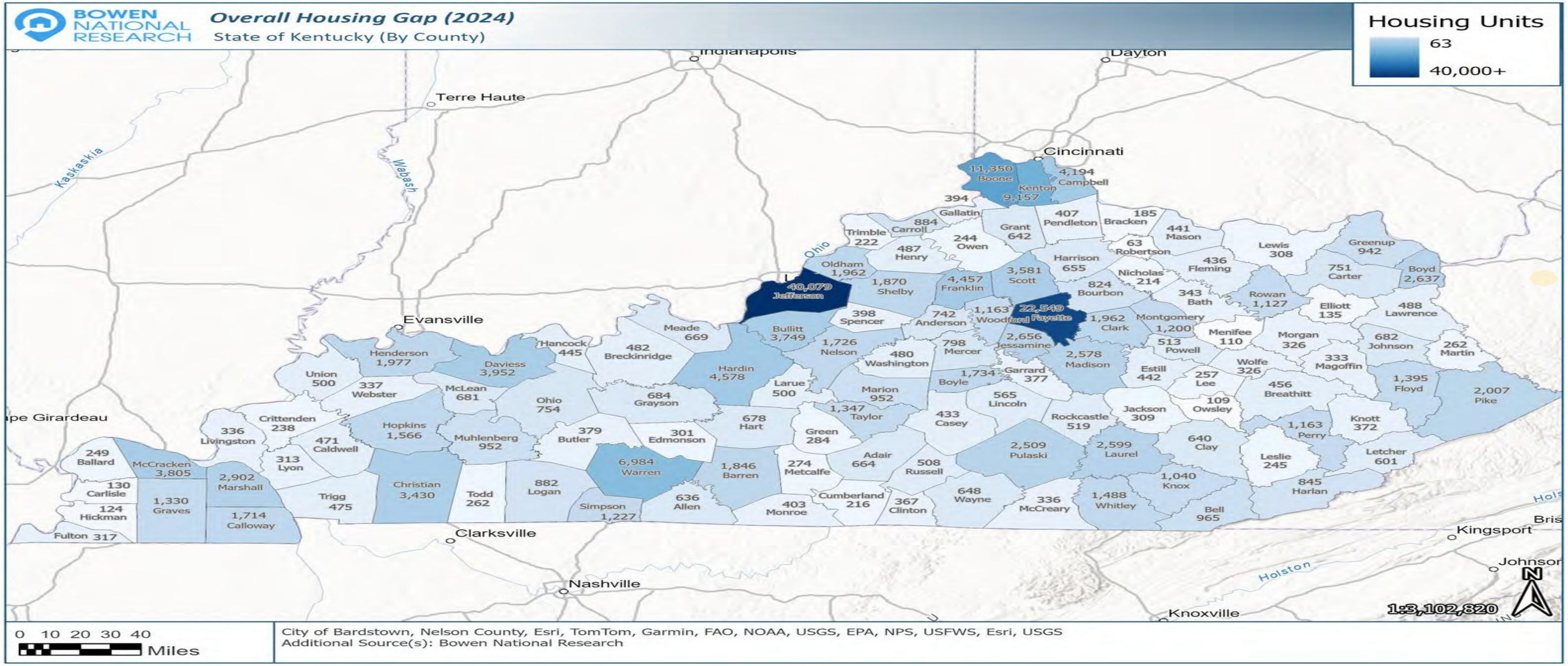
Total For-Sale Units Needed: 104,638



	<30% AMI	31% - 50% AMI	51% - 80% AMI	81% - 120% AMI	121% - 150% AMI	151%+ AMI
Rental Gap	60,385	19,161	13,211	6,980	1,132	700
For-Sale Gap	19,434	14,179	18,599	17,972	13,896	20,558

Housing units needed broken down by Area Median Income (AMI) groups.

Click here for AMI Dollar Amounts County Table


BOWEN NATIONAL RESEARCH
Overall Housing Gap (2024)
State of Kentucky (By County)
Housing Units
63
40,000+
Indianapolis
Dayton
Terre Haute
Cincinnati
Kaskaskia
Wabash
Ohio
Evansville
pe Girardeau
Clarksville
Nashville
Knoxville
Kingsport
Johnson
Bris
Holston
11,350 Boone
Kenton 9,157
4,194 Campbell
394
Gallatin
407 Pendleton
185 Bracken
884 Carroll
Trimble 222
Grant 642
244 Owen
487 Henry
441 Mason
63 Robertson
Lewis 308
Greenup 942
Oldham 1,962
Harrison 655
436 Fleming
751 Carter
Boyd 2,637
40,079 Jefferson
1,870 Shelby
4,457 Franklin
3,581 Scott
824 Bourbon
Nicholas 214
343 Bath
Rowan 1,127
Elliott 135
488 Lawrence
Meade 669
398 Spencer
742 Anderson
1,163 Woodford
22,549 Fayette
1,962 Clark
Montgomery 1,200
Menifee 110
Morgan 326
682 Johnson
262 Martin
Bullitt 3,749
1,726 Nelson
2,656 Jessamine
513 Powell
Hancock 445
482 Breckinridge
Henderson 1,977
Daviess 3,952
480 Washington
798 Mercer
2,578 Madison
Wolfe 326
333 Magoffin
Union 500
Hardin 4,578
1,734 Boyle
Garrard 377
Estill 442
257 Lee
456 Breathitt
1,395 Floyd
2,007 Pike
337 Webster
McLean 681
Larue 500
Marion 952
565 Lincoln
109 Owsley
Ohio 754
684 Grayson
1,347 Taylor
433 Casey
Rockcastle 519
Jackson 309
Crittenden 238
Hopkins 1,566
678 Hart
Knott 372
336 Livingston
471 Caldwell
379 Butler
301 Edmonson
Green 284
1,163 Perry
249 Ballard
McCracken 3,805
313 Lyon
Muhlenberg 952
2,509 Pulaski
2,599 Laurel
640 Clay
Leslie 245
Letcher 601
2,902 Marshall
6,984 Warren
1,846 Barren
274 Metcalfe
Adair 664
508 Russell
130 Carlisle
Christian 3,430
Todd 262
882 Logan
1,040 Knox
845 Harlan
124 Hickman
1,330 Graves
Trigg 475
636 Allen
Cumberland 216
648 Wayne
336 McCreary
1,488 Whitley
1,714 Calloway
Simpson 1,227
403 Monroe
367 Clinton
Bell 965
Fulton 317
1:3,102,820
N
0 10 20 30 40
Miles
City of Bardstown, Nelson County, Esri, TomTom, Garmin, FAO, NOAA, USGS, EPA, NPS, USFWS, Esri, USGS
Additional Source(s): Bowen National Research

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Notable Shortages in Counties

Jefferson	40,079
Fayette	22,549
Henderson	1,977
Madison	2,578
Campbell	4,194
Shelby	1,870
Graves	1,330
McCracken	3,805
Allen	636
Simpson	1,227
Nelson	1,726
Hardin	4,578

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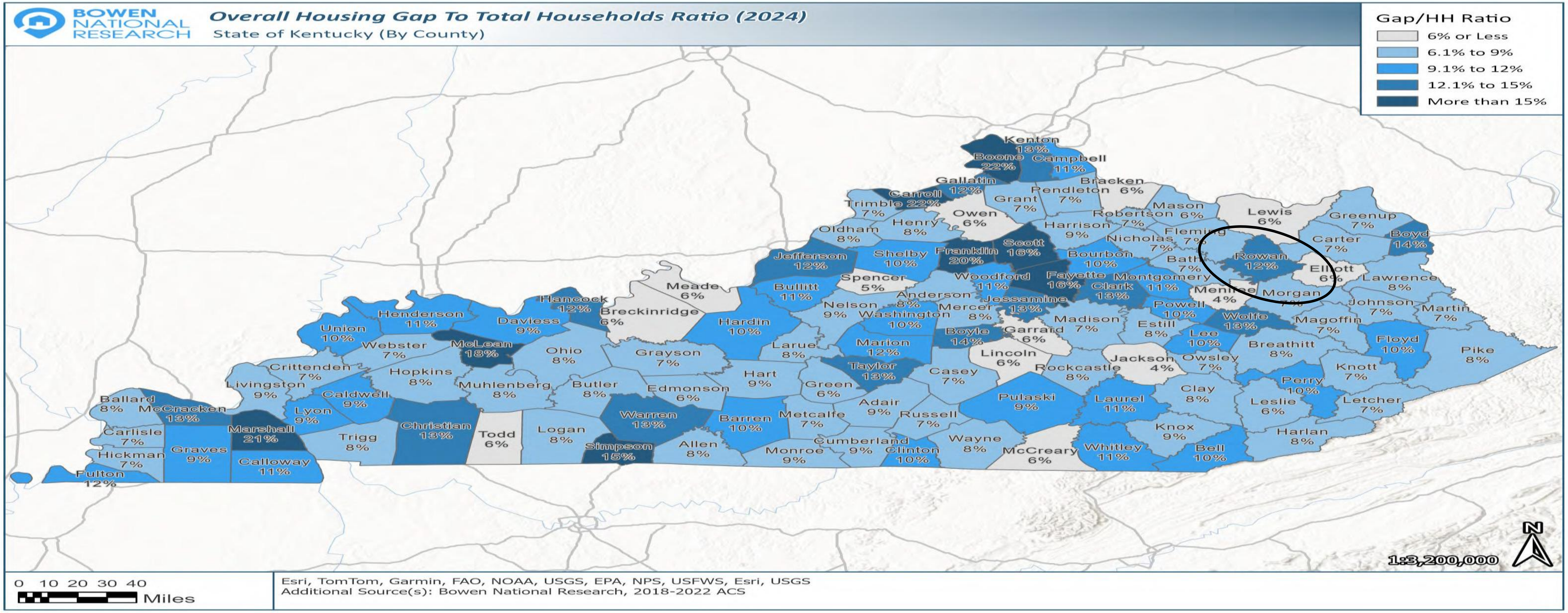

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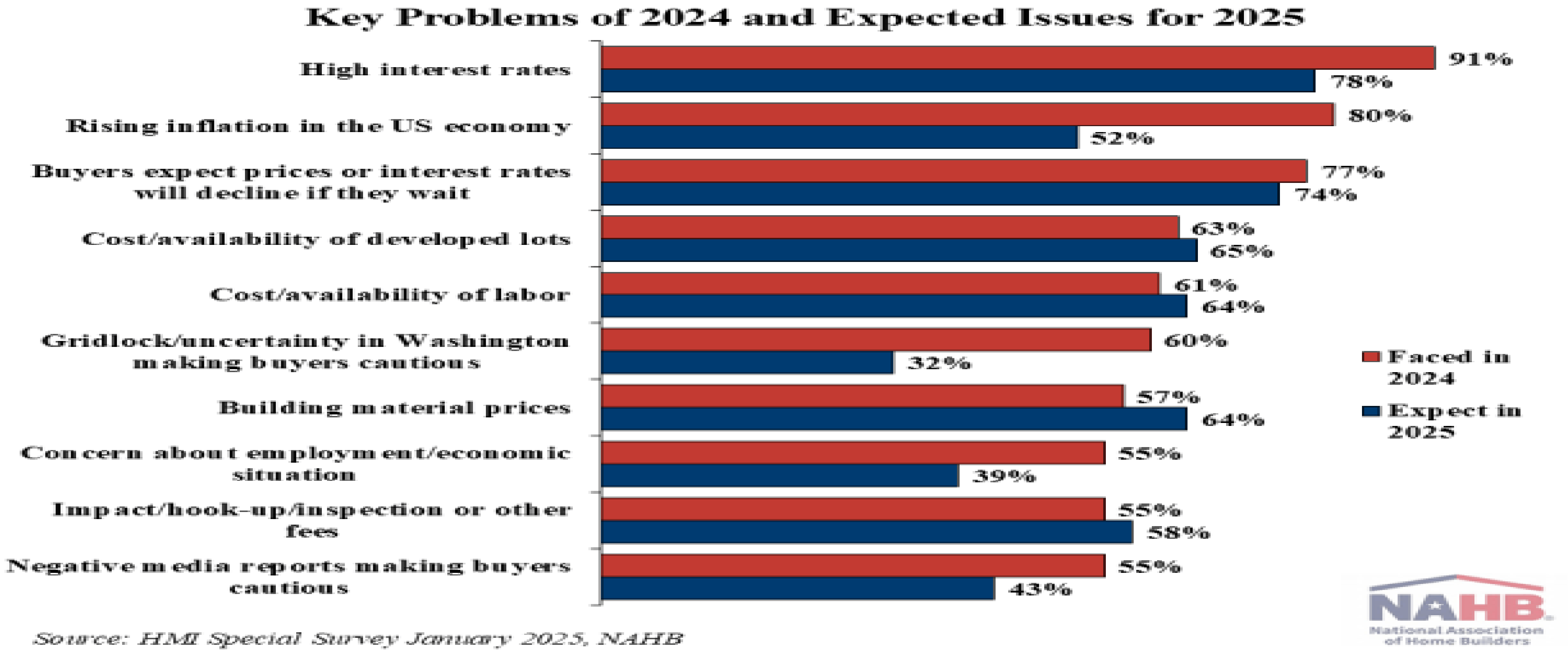

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The Solution

- Public/Private Partnership
- Banks can address interest rate challenge and uncertainty
- Kentucky Banks have a $30,000,000 commitment to address housing crisis approved by the prudential regulators
- By matching Kentucky banks' $30,000,000 commitment to affordable housing in the form of tax credits, Kentucky banks and the General Assembly would create affordable housing in areas where it is desperately needed throughout the Commonwealth
- Creating new housing; not purchases of existing housing

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Program Administration

- The program would be administered by *Hope of the Midwest*, a Kentucky company that has administered over $784,000,000 in tax credit construction over the past fifteen years with a zero-default rate.
- Before a development is approved, it would undergo rigorous due diligence. The development would require a market study demonstrating need, require units to be built to current Kentucky Housing standards with construction plans reviewed by a third-party architect.
- Approved developments with tenants not exceeding one hundred percent of the statewide income average based on unit mix and family size. Target rents would be discounted at least 15% to comparable market rates with management companies ensuring tenant eligibility. All developments would have a ten-year compliance period for tenant eligibility with recapture if the development were to become non-compliant. Sole approval would be determined by *Hope of the Midwest* ensuring all communities are equally represented.

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Bank Funding

- The $30,000,000 in bank funding would be placed into a revolving fund, managed by *Hope of the Midwest*, that would be utilized for development costs including, but not limited to, land acquisition, infrastructure construction, loans at below market rates and any other needs to ensure success of the development.
- Funds would be repaid by the developer and redeployed into the revolving fund to construct additional developments.
- Evergreen fund with opportunity to increase

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Tax Credits

- Tax credits would be calculated based on twenty percent of eligible construction costs that would not vest until completion of the development.
- The refundable tax credits would be earned over five years by the developer and could be sold to raise capital and ensure program success.

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The Why for Banks

- Kentucky banks are examined under the Community Reinvestment Act (CRA) for their CRA efforts.
- As part of meeting their regulatory requirements, and continuously serving as foundations of their communities, Kentucky banks want to collaborate with the General Assembly in addressing our housing crisis.

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New Market Tax Credits

- 2024 Session House Bill 485
- 2025 Session House Bill 372
- The credit provides an incentive for investment in low-income communities. Investors receive a tax credit against their income tax.
- Limited to $10 million per year by KRS 141.432 to 141.434

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Data Brokering Tax – Unintended Consequences

- HB 757 (2026 Ky. Act ch. 161) added "data brokering services" to Kentucky's sales and use tax base.
- "Data brokering services" means the act of collecting, aggregating, and analyzing personal data for sale to a third party while possession of the personal data is maintained by the person providing the data brokering services or by a third party, wherever located, regardless of whether the charge for the services provided are on a per use, per user, per license, subscription, or some other basis.
- As drafted, the definition can be read to reach the fraud-prevention and identity verification services banks buy – not the sale of consumer data.

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What Kentucky Banks Are Actually Buying

- Verify customer identity at account opening
- Confirm beneficial ownership of business accounts
- Screen customer and transactions against OFAC sanctions and government watch lists
- Monitor for check fraud and account takeover
- Detect the financial exploitation of elderly and vulnerable customers
- Obtain the consumer reports used to underwrite loans

Every one of these is a service purchased to protect a customer. None is a sale of a customer's data.

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What This Means for Community Banks

- A 6% tax on core compliance spend that federal regulators require banks to make
- Banks whose vendors do not collect must accrue and self-assess use tax on services they may not have identified as taxable
- The cost falls hardest on the institutions with the thinnest compliance budgets – the smallest community banks the Commonwealth can least afford to lose
- Raising costs on these tools is more than a tax policy question – it is a question of how well Kentucky consumers are protected

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What a Fix Would Look Like

- A narrow statutory exclusion for these services when purchased by a financial institution for identity verification, fraud prevention, BSA and sanctions screening, elder financial exploitation detection, and consumer reports
- In the near term, Department of Revenue guidance addressing how the new definition applies to financial institutions

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Probate and Trust Law Modernization

SB 50 Cleanup

- SB 50 (2026 Ky. Acts ch. 134) is the broadest revision of Kentucky probate, trust, and fiduciary law in decades
- Included spousal share reforms, probate administration updates, electronic estate planning document executions, and created three new uniform trust acts.
- There are several key issues we have identified within the act that can be easily cleaned up and modified.

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What Changed for Banks

- Previously, the surviving spouse's share came out of the probate estate only
- Now it also reaches payable-on-death accounts, joint accounts, IRA, and transfer-on-death accounts (generally considered non-probate assets)
- These are the accounts banks pay out on a daily basis
- **The law says the spouse can reach them. It doesn't say how much, or for how long.**
- **Three main issues here**:
    1. No measure for jointly owned property: whole balance, decedent's percentage, fixed fraction?
    2. No deadline by which a spouse must asset this claim.
    3. No protection for banks that pay out accounts pursuant to its designation in the ordinary course of business.

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General Powers of Appointment

- SB 50 makes surplus all property over which the decedent held a general power of appointment.
- Ky’s act does not include three limits found under most uniform acts:
  - It is not confined to a presently exercisable power
  - It is not confined to powers the decedent created
  - It is not confined to the property actually subject to the power

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General Powers of Appointment – What This Produces

- **Example 1**: A power the decedent neither created nor could have exercised
  - A grandmother's 1995 trust gives her grandson a testamentary general power over his $2 million trust share – included solely to secure a basis adjustment for income tax purposes.
  - He created nothing, contributed nothing, and could not exercise this power during his lifetime.
  - He enters into a second marriage in 2020, dies in 2028 without exercising this power. Under the trust, all assets pass to the children of his first marriage.
  - Now: The entire $2 million is surplus reachable by his surviving spouse

General Powers of Appointment – What This Produces

- **Example 2**: A power over a fraction that reaches the whole
  - A $10 million trust carries an annual five-by-five or Crummey demand right of $5,000
  - The beneficiary dies in November, before the year's right has lapsed.
  - Read literally, the property "over which" he held a general power is the trust, not the withdrawal amount.
  - Now: A $5,000 right renders $10 million surplus.

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Periodic Settlements

- Every estate files settlements with the court — periodic ones while it's open, a final one when it closes. A settlement is a full financial accounting: every asset, every receipt, every disbursement, with backup.
- Kentucky already recognizes that not every estate needs the full treatment. Where the estate is solvent and the beneficiaries agree, the **final** settlement can be informal. There is no matching option for the **periodic** settlement. That is the gap.
- **Why it's now a live problem**
  - A fiduciary who may close informally must still file formal periodic settlements the whole way there — even when he is the sole beneficiary.
  - Closing requires a DOR tax clearance letter, and the inheritance tax return is now due two years from death.
  - Two years plus clearance delays holds these estates open — and formal for the duration.
  - Longer estates, higher cost, and the burden falls on the beneficiaries the process exists to protect.

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Periodic Settlements – Two Problems and a Fix

Privacy — we sealed the front door and left the side door open

- The General Assembly just made the opening disclosure and the inventory confidential.
- The periodic settlement holds the same financial detail — and stays public.
- An estate's finances are sealed on day one and open every year after.

Court capacity

- A judge must personally review every periodic settlement and every attachment.
- More estates staying open longer means more of these landing on probate dockets that are already full.

The Fix – Let the periodic settlement be informal on the same terms as the final one

- Same conditions: solvent estate, debts paid or provided for, death taxes handled, court costs current

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Dispensing with Administration

- Kentucky's small-estate shortcut for estate under $30,000 of probate assets.
- A family files a petition, the judge signs an order, the assets are handed over. No executor, no lawyer, no notice to anyone. This is a valuable and much needed tool for many Kentucky families
- **<u>Common situational problem</u>**
  - A borrower dies. The family uses this procedure, and a valid lienholder is never told. Payments keep coming in the short term, but the colleterial quickly depreciates, insurance lapses, the asset is sold. By the time a bank learns of the death, the deposit accounts age gone and the collateral is worth less than the debt.
- **<u>Why the statute allows this</u>**
  - The petition lists what the decedent owned, not what he owed
  - A judge makes the qualifying finding without ever seeing the debt side, and with nothing to check against
  - Nothing protects banks that honors the order, and nothing lets it pause to check its own records or preserve a setoff

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Dispensing with Administration - Potential Fixes

- **Sworn schedule of known creditors**, added to the affidavit the petitioner already signs. Concealment becomes false swearing — a deterrent with no new penalty and no new paperwork for an honest family.
- **Disclosure of liens of record on the personalty the order transfers** — including titled vehicles, identified from the KYTC record.
- **Notice to disclosed creditors and lienholders.** The order still enters on time and is still valid; failure to mail affects only the creditor's window to challenge it.
- **Good-faith payor discharge**, with setoff and recoupment preserved and a reasonable opportunity to determine whether a matured obligation exists.
- **Direct judgment against the transferee**, capped at value received — instead of reopening an entire administration against money already spent.