

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **0452**

HOUSE BILL NUMBER **143**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to the employment tax credit.**

SPONSOR **Representative Richards**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$3,000,000)	(\$5,000,000)	(\$7,500,000)
EXPENDITURES				
NET EFFECT		(\$3,000,000)	(\$5,000,000)	(\$7,500,000)

() indicates a decrease/negative

MEASURE'S PURPOSE: The stated purpose of the tax credit expansion is to encourage employers in the Commonwealth to hire individuals that have been unemployed for at least 60 days, with an increased benefit for employers hiring former coal workers who are unemployed.

PROVISIONS/MECHANICS: The proposal amends KRS 141.065 to expand the unemployment tax credit allowable to employers hiring unemployed individuals that have been certified by the Education and Workforce Development Cabinet as having been unemployed for at least 60 days. A \$100 tax credit per individual hired is currently allowed. The employee must remain employed by the taxpayer for 180 consecutive days during the taxable year in which the credit is claimed.

The proposal expands the tax credit to allow a \$1,000 tax credit per individual if that individual was working for an entity in the coal industry immediately prior to becoming unemployed, including the mining of, developing of, processing of, transportation of, or exploration for coal.

FISCAL EXPLANATION: The Federal Reserve Bank in St. Louis publishes monthly economic data related to coal mining employees in Kentucky. Through the 1990s and into the

mid-2000s, the number of coal employees in Kentucky declined rapidly. From 2006 through 2011, the number of coal employees stabilized, and then increased slightly. Beginning in 2012, the rapid decline in the number of coal employees in Kentucky once again occurred. Since 1992, the number of coal employees has fallen by 65%, or simply put, the total number of Kentucky coal mine employees today is about one-third of the total number in 1991.

Using a three-year rolling average, it is estimated there are approximately 6,000 unemployed coal workers in Kentucky today. It is estimated an additional 1,500 coal workers may become unemployed during the next biennium. This increase in the number of unemployed coal workers is based on the decline in the demand for Kentucky coal as forecasted by the Consensus Forecasting Group.

If all 7,500 estimated unemployed coal workers qualified for the enhanced unemployment tax credit and were hired by employers claiming the credit, the estimated maximum negative impact to the General Fund at full implementation would be \$7.5 million. The estimates reflected in the note are less than \$7.5 million to account for the fact that a number of the unemployed coal workers may not return to the workforce.

DATA SOURCE(S): Federal Reserve Bank in St. Louis

PREPARER: Jennifer Hays NOTE NUMBER: 121 REVIEW: JRS DATE: 3/3/2016