

**Local Mandate Fiscal Impact Estimate  
Kentucky Legislative Research Commission  
2016 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 1165

**Bill #:** HB 372 HCS

**Bill Subject/Title:** AN ACT proposing an amendment to Section 170 of the Constitution of Kentucky relating to property exempt from taxation

**Sponsor:** Representative Darryl T. Owens

Unit of Government:  City  County  Urban-County  
 Charter County  Consolidated Local  Unified Local Government

Office(s) Impacted: Local government tax revenues

Requirement:  Mandatory  Optional

Effect on

Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

**Part II: Purpose and Mechanics**

The purpose of HB 372 as **introduced** is to propose an amendment to Section 170 of the Kentucky Constitution to increase the homestead property tax exemption. Section 1 would increase the exemption for homeowners aged 65 years and older or totally disabled from \$6,500.00 up to \$36,900.00, and would exempt totally from property taxes the entire assessed value of a permanent residence owned by a disabled veteran whose disability is service connected. Section 2 of the bill would propose that the following question be submitted to the voters: "Are you in favor of amending the Constitution of Kentucky to provide totally disabled veterans, whose disability is service-connected, with an increased homestead exemption equal to the full assessed value of the property so as to eliminate the state and local property taxes thereon?"

**HB 372 HCS retains the original provisions of the bill as introduced and adds a requirement that, in order for a totally disabled veteran to be entitled to the homestead exemption for the full assessed fair cash value of his or her residence, he or she must also be permanently disabled due to a service-connected disability.**

**Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost**

**HB 372 HCS would have little fiscal impact on the majority of local governments.**

Requiring that veterans be permanently as well as totally disabled should make no appreciable difference in the fiscal impact of the bill on local governments.

HB 372 HCS should not reduce property tax revenues payable to local taxing districts by those 65 years and older, or disabled, because the exemption of \$6500 currently embodied in Section 170 of the Constitution is already indexed to the cost of living at \$36,900, in accordance with KRS 132.810. Increasing the homestead exemption from \$6500 to the full assessed fair cash value of the home for veterans totally and permanently disabled due to service-related injury will reduce the property tax revenue to local governments; however, Kentucky does not keep count of the number of totally and permanently disabled veterans living in the Commonwealth, in a home owned by them, so it is not possible to estimate how many people are eligible for the exemption. In addition, under current law, KRS 132.010(6) (“Compensating tax rate”) enables a taxing district to raise its tax rate on non-exempt real property sufficient to produce an amount of revenue approximately equal to that produced in the preceding year from real property taxes. In other words, a taxing district may “make up,” or compensate for, revenues lost from an increased homestead exemption by raising the tax rate applied to other, non-exempt real property. It’s possible that some taxing districts could be impacted more than others. For instance, those tax districts that are home to a greater percentage of armed forces veterans, like the Ft. Campbell and Ft. Knox areas, might be expected to have more service-related disabled veterans who would be entitled to an exemption of 100% of the assessed value of their residence. Those areas might experience more tax revenue loss than can reasonably be compensated for by increasing the tax rate on non-exempt property, but the amount of loss is indeterminable since the number of totally and permanently disabled veterans in those areas is unknown.

**Data Source(s):** Kentucky Department of Revenue, Jefferson Co. PVA, LRC Staff

**Preparer:** Mary Stephens **Reviewer:** JWN **Date:** 3/23/16