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

Part I: Measure Information

Bill Request #: 1165

Bill #: HB 372

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: X City; X County; X Urban-County; X Charter County; X Consolidated Local; X Unified Local Government

Office(s) Impacted: Local government tax revenues

Requirement: X Mandatory ___ Optional

Effect on
Powers & Duties: X Modifies Existing ____ Adds New ____ Eliminates Existing

Part II: Purpose and Mechanics

The purpose of HB 372, Section 1 is to propose an amendment to Section 170 of the Kentucky Constitution to increase the homestead exemption. Section 1 would increase the exemption for homeowners aged 65 years and older or 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?"

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

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

HB 372 could reduce property tax revenues payable to local taxing districts by those 65 years and older, or disabled, or by veterans disabled due to service-related injury;

however, 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; however, that impact is indeterminable at this time.

Data Source(s): Kentucky Department of Revenue, LRC Staff

Preparer: Mary Stephens **Reviewer:** JWN **Date:** 2/2/16