

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

**MEASURE**

2016 BR NUMBER **1585**

**HOUSE** BILL NUMBER **402**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to the taxation of property used as a landfill.**

**SPONSOR** **Representative Denham**

**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
<b>REVENUES</b>				
<b>EXPENDITURES</b>				
<b>NET EFFECT</b>				

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The purpose of the proposal is to:

1. Change the valuation and assessment methodology for municipal solid waste disposal facilities performed by the Department of Revenue from the methodology used for public service companies to a methodology used for other taxpayers under KRS Chapter 132;
2. Classify certain pollution control property incorporated within the solid waste disposal facility as tangible personal property instead of real property; and
3. Eliminate the persistent and ongoing protests and litigation related to the valuation and assessment of municipal solid waste disposal facilities.

**PROVISIONS/MECHANICS:** A new section of KRS Chapter 132 is created to clarify that the Department of Revenue shall have sole power to value and assess the real and tangible personal property of all municipal solid waste disposal facilities, to accomplish the valuation and assessment in the same manner as all other taxpayers under KRS Chapter 132, to promulgate administrative regulations, and to distribute the tax receipts among the taxing districts. KRS 132.020 is amended to clarify that tangible personal property certified as a pollution control facility which is incorporated into a landfill facility shall be presumed to remain as tangible personal property if it is being used for its intended purposes. KRS 132.200 and 136.120 are

amended to conform.

**FISCAL EXPLANATION:** No negative fiscal impact is anticipated. The Commissioner of the Department of Revenue and the department's litigating attorney have explained that the change in methodology anticipated by this proposal is currently being developed through administrative regulations that will be promulgated if this legislation is enacted. The new methodology included in the administrative regulation will adopt a nationally recognized methodology recommended by the International Association of Assessing Officers (IAAO). It is anticipated that the new methodology will be revenue neutral.

This new methodology, along with statutory clarification of the classification of pollution control equipment incorporated into the landfill, will eliminate complex and subjective valuation processes currently used by the department to value landfills and will reduce the number of protests and resulting litigation in this area.

**DATA SOURCE(S):** Commissioner Bork, Rick Bertelson

**PREPARER:** Jennifer Hays **NOTE NUMBER:** 100 **REVIEW:** JRS **DATE:** 2/22/2016