

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER **0245**

HOUSE BILL NUMBER **117**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to the unemployment 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	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES	(\$3,000,000)	(\$5,100,000)	See explanation below
EXPENDITURES			
NET EFFECT	(\$3,000,000)	(\$5,100,000)	See explanation below

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of the unemployment tax credit expansion under this measure is to encourage employers 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: This proposal amends KRS 141.065 to expand the unemployment tax credit that may be claimed by employers who hire individuals who have been unemployed, and 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, but the hired individual must remain employed by the taxpayer for 180 consecutive days during the taxable year in which the credit is claimed.

This measure expands the tax credit to \$1,000 per individual hired if that individual was working for an entity in the coal industry immediately prior to becoming unemployed. Working for an entity in the coal industry includes jobs mining, developing, processing, transporting, or exploring for coal.

FISCAL EXPLANATION: The Federal Reserve Bank in St. Louis publishes monthly employment data for coal mining in Kentucky. From 1991 until 2001, the number of coal employees in Kentucky declined rapidly. During this decade, the average annual decline in Kentucky Coal employment was 1,340. From 2002 through 2006, Kentucky coal employment varied from one year to the next, but the trend was no longer negative. The demand for Kentucky coal and employment in this industry experienced a modest resurgence during the most recent recession as energy prices increased (FY 2006 through FY 2009). However, since 2009 Kentucky coal employment has consistently declined on an annual basis. Since FY 2009, Kentucky coal employment has fallen on average by 1,410 annually. Over the past 25 years, employment in Kentucky's coal industry has fallen by more than 70%.

Using a three-year moving average, it is estimated that there are approximately 6,000 unemployed coal workers in Kentucky today that might qualify under the provisions of this bill. It is estimated that another 2,100 coal miners may become unemployed during the current biennium.

If all 8,100 estimated unemployed coal workers qualified for the credit and were hired by employers claiming the unemployment tax credit, the estimated total negative impact to the General Fund would be \$8.1 million. As these workers get hired, however, the credit gets used up. Therefore, if 3,000 unemployed coal workers get hired in FY 2016–2017, then the credit is \$3 million that year. However, since those workers are now employed, another employer can't take the credit for them. This provides an upper limit on the cost of the credit.

DATA SOURCE(S): LRC Appropriations and Revenue Staff; Federal Reserve Bank in St. Louis

PREPARER: Amit M. Shanker **NOTE NUMBER:** 14 **REVIEW:** JRS **DATE:** 1/27/2017