

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

MEASURE

2017 BR NUMBER **1654**

HOUSE BILL NUMBER **363**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to the natural resources severance and processing tax.**

SPONSOR **Representative S. Miles**

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			See explanation below
EXPENDITURES			
NET EFFECT			See explanation below

() indicates a decrease/negative

MEASURE’S PURPOSE: The purpose of this bill is to expand the tax base for the natural resources severance and processing tax and allow a new credit against the tax.

PROVISIONS/MECHANICS: Section 1 amends KRS 143A.010 to change the definition of “processing.” Under the definition proposed in this bill, processing limestone shall now include unloading or loading limestone that has not been severed or treated in Kentucky. This more expansive definition broadens the tax base for the natural resources severance and processing tax.

Section 2 amends KRS 143A.035 to allow a credit against the natural resources severance and processing tax. Under this bill, a credit would be allowed for limestone, severed or processed outside Kentucky and then unloaded in Kentucky, on which a severance and processing tax has been paid to another state. The credit would be the amount of tax paid to the other state, up to the amount of tax owed to Kentucky.

FISCAL EXPLANATION: The fiscal impact of this bill is indeterminable. This is because the bill expands the tax base, but allows a credit against the tax. Due to a lack of data as to the amount of imported limestone that may become taxable under the bill and the number of

taxpayers who will be able to offset their tax liabilities by claiming the new credit, the net impact of this bill on revenues cannot be determined.

While the tax base would be expanded to apply to out-of-state limestone that is unloaded in Kentucky, Kentucky is overall a net exporter of limestone. Therefore, it is possible that only a small amount of stone would be imported and this bill may lead to increased revenues because of the expansion of the tax base. This is because any amount of limestone that is imported into Kentucky becomes taxable, since unloading is “processing” under the new definition in Section 1. The tax rate of 4.5 percent would be applied to the gross value of that limestone imported less the amount paid by that taxpayer whoever first severed the limestone.

DATA SOURCE(S): LRC Appropriations and Revenue Staff; LRC Economists

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