

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

This bill would have no added administrative burden on local governments. However, it could have an impact on the revenues of some cities and counties, as discussed below.

The fiscal impact of this bill on local government revenues 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 of this Act. The tax rate of 4.5% would be applied to the gross value of that limestone imported less the amount paid by that taxpayer whoever first severed the limestone.

Any local fiscal impact would be limited to those cities and counties receiving distributions from the local government economic assistance fund (LGEAF) pursuant to KRS 42.470(2) and 42.475—the places where limestone is severed or processed. The severance taxes collected on natural resources are allocated equally to the general fund and the LGEAF. The LGEAF portion is distributed among cities and counties according to their share of the resources severed or processed. Any change in the total amount of tax collected will have a corresponding effect on the amount of that revenue flowing to these localities through the LGEAF. As stated above, the impact on tax collected is indeterminable, but any direct impact to local governments will be limited to local governments receiving money from the LGEAF.

Data Source(s): LRC Appropriations & Revenue Staff

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