

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

MEASURE

2017 BR NUMBER **0167**

HOUSE BILL NUMBER **424**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to Kentucky promise zone tax incentives.**

SPONSOR **Representative Couch**

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		(\$86,000,000)	(\$86,000,000)
EXPENDITURES			
NET EFFECT		(\$86,000,000)	(\$86,000,000)

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this proposal is to:

1. Exempt wages received by an employee from a qualified promise zone employer for services performed in the Kentucky promise zone on or after July 1, 2017, but before January 1, 2022, and to exempt the qualified promise zone employer from deducting and withholding individual income tax on those wages; and
2. Allow a seller that is a qualified Kentucky promise zone employer to keep 75 percent of the sales and use tax due in the form of increased vendor compensation effective July 1, 2017 through January 31, 2022, if a separate return is filed for the location within the Kentucky promise zone and the amount due is not delinquent at the time of payment.

PROVISIONS/MECHANICS: Amends KRS 141.010 to exclude from the definition of "adjusted gross income" wages received by an employee from a qualified Kentucky promise zone employer; defines "Kentucky promise zone," "qualified Kentucky promise zone employer," and "services performed in the Kentucky promise zone"; amends KRS 141.310 to exempt Kentucky promise zone employers from deducting and withholding individual income tax imposed under KRS 141.020 from an employee's wages; requires reporting by Kentucky promise zone employers and the Department of Revenue; amends KRS 139.570, effective July 1, 2017

through January 31, 2022, to allow qualified Kentucky promise zone employers located in the Kentucky promise zone to deduct an amount of compensation equal to 75 percent of the tax due, provided the amount due is not delinquent at the time of payment; requires the Department of Revenue to report information to the Legislative Research Commission; amends KRS 131.190, 131.135, 131.618, 131.650, 131.990, 141.389, and 131.020 to conform.

FISCAL EXPLANATION: If enacted, it is estimated that this proposal would have a negative impact to the general fund of approximately (\$86,000,000) in FY 2017-2018. There will be no fiscal impact in FY 2016-2017.

It is estimated that the exemption from Kentucky income tax would have an estimated negative impact to the general fund of approximately (\$71,000,000) in FY 2017-2018, and the sales and use tax exemption would have a negative impact to the general fund of approximately (\$15,000,000) for that same period.

DATA SOURCE(S): United States Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages CY 2015 , 2015 Standard Deduction, Sales and Use tax return data, Department of Revenue, ThinkKY.com

PREPARER: Charlotte T. Quarles NOTE NUMBER: 117 REVIEW: JRS DATE: 2/28/2017