

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

**MEASURE**

2017 BR NUMBER **0238**

**HOUSE BILL NUMBER 51**

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

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

**SUBJECT/TITLE** **An ACT relating to a reduction of motor vehicle property tax rates for certain disabled veterans.**

**SPONSOR** **Representative Myron Dossett**

**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
<b>REVENUES</b>		State (\$146,000) Local (\$376,000)	State (\$292,000) Local (\$752,000)
<b>EXPENDITURES</b>		Minimal	Minimal
<b>NET EFFECT</b>		State (\$146,000) Local (\$376,000)	State (\$292,000) Local (\$752,000)

( ) indicates a decrease/negative

**MEASURE’S PURPOSE:** HB 51 proposes a 50% property tax rate reduction on motor vehicle tax assessments for veterans who have been declared 100% service-connected disabled by the United States Department of Veterans Affairs. The reduction will apply to the state tax rate, as well as, the tax rates of all applicable city, county, school, and special taxing districts. Currently, veterans do not receive a tax rate reduction on their motor vehicle property tax assessments.

**PROVISIONS/MECHANICS:** HB 51 creates a new section of KRS Chapter 132. The new section defines an “applicable veteran” as a veteran who has been declared by the United States Department of Veterans Affairs to be 100% service-connected disabled. A 50% tax rate reduction is provided for all applicable veterans’ motor vehicle property tax assessments, which were made on or after January 1, 2018. However, tax assessments for motor vehicles that qualify for permanent registration as a historic motor vehicle under KRS 186.043 will not be eligible to receive the 50% tax rate reduction.

**FISCAL EXPLANATION:** HB 51 affects motor vehicle property tax assessments of applicable veterans created after December 31, 2017. Therefore, there would be no impact for FY 2016-2017 or the first half of FY 2017-2018. For the second half of FY 2017-2018 and future years, HB 51, would impact state and local revenues.

#### State Impact

This bill would have a negative impact on the state General Fund. The U.S. Department of Veterans Affairs reports 9,120 veterans in Kentucky are rated 100% disabled. Using vehicle data from the U.S. Census Bureau, an estimation is calculated that 18,184 cars with an average value of \$7,143 are owned by 100% disabled veterans in Kentucky. The current motor vehicle state property tax rate in Kentucky is \$0.45 per \$100 in assessed value. Using this information it is estimated that the annual state revenue would be negatively impacted by approximately (\$292,000). Since motor vehicle property taxes have varying due dates, which can depend on the owner's birth month, date of registration, type of vehicle, and type of license plate, it is hard to estimate the exact tax impact for a specific part of the year. However, if the assumption is made that half of the applicable veterans' motor vehicle property tax assessments are due July through December, then the General Fund negative impact for the second half of FY 2017-2018 is estimated to be (\$146,000).

A minimal impact on state expenditures is expected, as an increase in administration costs may occur in order for the Kentucky Department of Revenue to oversee the application or verification process of qualifying veterans as being applicable for the tax rate reduction.

#### Local Impact

The impact HB 51 may have on local property tax revenues received by counties, cities, school districts, and other local special districts with taxing authority would depend on the tax rate levied by the given locality. However, by using the total average local tax rate in Kentucky for motor vehicle property tax of \$1.16, it is estimated that the impact of HB 51 would be an annual negative effect of (\$752,000) for all of the local jurisdictions combined. Assuming half of the applicable veterans' motor vehicle property tax assessments will be due July through December, then the negative impact for the second half of FY 2017-2018 is estimated to be (\$376,000) for all of the local jurisdictions combined.

A minimal impact on local expenditures is expected, as an increase in administration costs may occur in order for the local clerk to oversee the application or verification process of qualifying veterans as being applicable for the tax rate reduction.

These estimates are based on information available at this time and do not account for taxpayers altering their behavior in order to receive the benefit.

**DATA SOURCE(S):** LRC Economist and Staff, U.S. Census Bureau, American Community Survey, Public Use Micro-data Sample, U.S. Department of Veterans Affairs, National Center for Veterans Analysis and Statistics, Kentucky Department of Revenue

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