

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0494**

HOUSE BILL NUMBER **340**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to the oversight of tax expenditures and declaring and emergency.**

SPONSOR **Representative Kay**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **General Assembly**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

| FISCAL ESTIMATES | 2017-2018 | 2018-2019 | 2019-2020 | ANNUAL IMPACT AT FULL IMPLEMENTATION |
|-------------------------|------------------|------------------|------------------|---|
| REVENUES | | | | |
| EXPENDITURES | | \$17,600 | \$17,600 | \$17,600 |
| NET EFFECT | | (\$17,600) | (\$17,600) | (\$17,600) |

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this bill is to create a new standing legislative committee, the Legislative Tax Incentive Review Committee, to conduct systematic and comprehensive reviews of tax incentives and prepare reports thereon for the Legislative Research Commission (LRC) and the Interim Joint Committee on Appropriations and Revenue.

PROVISIONS/MECHANICS: Section 1 creates a new section of KRS Chapter 7A that defines terms for the measure, specifically a tax incentive, which is defined as a benefit provided through a state or local government that is intended to alter, reward, or subsidize an action or behavior.

Section 2 creates a new section of KRS Chapter 7A to create the Legislative Tax Incentive Review Committee. This committee will be comprised of 14 legislators, seven Representatives and seven Senators, with appointments of two years. Stipulates that the co-chairs chosen for the committee will be ex officio members of the Interim Joint Committee on Appropriations and Revenue, with all the applicable pay.

Section 3 creates a new section of KRS Chapter 7A that defines the research to be done for the reports that the Legislative Tax Incentive Review Committee submits. Topics to be researched

include, but are not limited to, the basic attributes of the tax incentives, the number of recipients and applicants for the various tax incentives, a return on investment calculation for tax incentives, and the estimated cost to the state of the tax incentive. It also allows the committee to request any information necessary to complete this tax incentive analysis.

Section 4 creates a new section of KRS Chapter 7A that establishes October 1st of each year as the date for the committee to submit its report on tax incentives to the Interim Joint Committee on Appropriations and Revenue. It further stipulates that no confidential taxpayer information is to be disclosed

Section 5 creates a new section of KRS Chapter 7A that requires the committee to establish and maintain a system for informing the public about the reports. This section also requires that the committee publish on the General Assembly's website a schedule for reviewing each tax incentive, with each incentive having to be reviewed at least once every five years.

Section 6 declares an emergency and makes the bill effective upon passage by the Governor.

FISCAL EXPLANATION: The fiscal impact of this bill is small for two reasons. One being the fact that all of the work related to preparing the reports will be handled by existing LRC staff during the Interim, and two being that the legislators on the committee are already being paid during the Legislative Session. The fiscal impact is the cost associated with the committee meeting during the Interim. Assuming the committee meets four times during the interim, that an average of 11 legislators attend each meeting, that they each will drive an average mileage of 250 miles (roundtrip), that six legislators will spend the evening, and include meal allowances, the result is an estimated cost of \$17,600 per Interim.

DATA SOURCE(S): Legislative Research Commission Staff

PREPARER: Justin Perry **NOTE NUMBER:** 105 **REVIEW:** JAB **DATE:** 2/14/2018