

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2019 REGULAR SESSION**

MEASURE

2019 BR NUMBER 0929

HOUSE BILL NUMBER 152

TITLE AN ACT relating to coal severance tax.

SPONSOR Representative Jim Stewart III

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: LGEAF, LGEDF

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED

FISCAL ESTIMATES	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			\$2,300,000
EXPENDITURES			
NET EFFECT			\$2,300,000

() indicates a decrease/negative

PURPOSE OF MEASURE: This measure eliminates the transportation deduction from the coal severance tax. This proposal would apply to periods beginning on or after July, 1, 2019.

FISCAL EXPLANATION: This proposal, if enacted, will generate \$4,600,000 in additional revenue in fiscal year 2019-2020; however, none of this revenue would go to the General Fund. 18 RS HB 265 (Enacted) requires that “100 percent of the severance... taxes on coal collected annually in excess of the official estimate... shall be transferred... from the General Fund to the Local Government Economic Assistance Fund” (LGEAF). Thus, the measure will have no impact on the General Fund in fiscal year 2019-2020. Instead, all additional revenue collected will be transferred to LGEAF. At full implementation, the measure would generate a total of \$5,000,000 in revenue with \$2,300,000 going to the General Fund.

While fiscal year 2018-2019 will not be affected because the law would not go into effect until July 1, 2019, return data from the Department of Revenue for the first half of fiscal year 2018-2019 was used to estimate the transportation expense for that year, \$133,310,314. Because the Consensus Forecasting Group anticipates a 16.5 percent decline in coal severance tax revenues from fiscal year 2018-2019 to 2019-2020, the fiscal year 2019-2020 total was reduced accordingly to \$111,314,112. This number was then multiplied by the tax rate of 4.5 percent to arrive at the approximate increase in coal severance tax revenue that would occur if the transportation expense deduction were eliminated. In fiscal year 2019-2020 only eleven months of revenue will be collected due to the one month lag in receipts.

At full implementation the measure would generate a total of \$5,000,000 in additional revenue. By statute four percent (\$200,000) of that amount would be taken “off the top” for coal county pharmacy scholarships as provided for in KRS 164.7890 and four percent (\$200,000) would go towards the osteopathic medicine scholarship provided for in KRS 164.7891. This leaves \$4,600,000 to be split between the General Fund (50 percent) and the Local Government Economic Development and Assistance Funds (50 percent).

DATA SOURCE(S): Department of Revenue and the LRC Economists Office

PREPARER: Kevin Branscum NOTE NUMBER: 6 REVIEW: JAB DATE: 1/29/2019